EVERYDAY IS FOLIDAY

复星旅游文化集团 FOSUN TOURISM GROUP

A company incorporated under the laws of the Cayman Islands with limited liability

ANNUAL REPORT 2019

(STOCK CODE: 01992)

FOLIDAY 复星旅文

CONTENTS

FINANCIAL SUMMARY

	For the years ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**17,337,169**	16,269,819
Resort and destination operations	**11,260,192**	10,426,589
Tourism-related property sales and construction services	**3,493,780**	3,443,894
Tourism and leisure services and solutions	**2,583,197**	2,399,336
Gross profit	**5,538,725**	5,276,048
Operating profit	**2,071,225**	1,741,835
Profit before income tax	**1,274,740**	1,293,388
Profit for the year	**576,293**	389,121
Profit attributable to equity holders of the Company	**608,722**	308,441
Adjusted EBITDA	**3,729,362**	2,073,038
Adjusted net profit	**644,440**	579,677
Earnings per share — basic (in RMB)	**0.49**	0.31
Earnings per share — diluted (in RMB)	**0.49**	0.30

Qian Jiannong
Chairman
Fosun Tourism Group

In 2019, the Global tourism industry was impacted by the unstable commercial and geopolitical tensions, weak European economy and Brexit as expected. The overall growth rate slowed down. Nevertheless, we achieved a continuous and high-quality growth together with strong financial and operational results. The business volume of tourism operation increased by 8.9% year-on-year in 2019 to RMB14,595.0 million. Adjusted EBITDA increased by 79.9%[1] from RMB2,073.0 million in 2018 to RMB3,729.4[1] million in 2019, with adjusted EBITDA margin increased by 8.8 percentage points to 21.5%[1]. Profit attributable to equity holders increased from RMB308.4 million in 2018 to RMB608.7[1] million in 2019, representing 97.4%[1] growth. In the past three years, the CAGR of our revenue was 21% and adjusted EBITDA was 81% on like-for-like basis, respectively. Profit attributable to equity holders has been turned around since 2018 and doubled year-on-year in 2019.

[1] *We adopted IFRS 16 Leases on 1 January 2019 which capitalizes the present value of the remaining lease payment as right-of-use assets and calculate depreciation instead of recording lease expenses in current period. Details of IFRS 16 adoption and impact are set out in note 2.2 to financial statements. With the adoption of IFRS 16, for the year ended 31 December 2019, gross profit increased by RMB250.9 million, adjusted EBITDA increased by RMB1,294.6 million, and profit attributable to equity holders decreased by approximately RMB155.2 million, respectively. Excluding the adoption impact of IFRS 16, adjusted EBITDA margin leveraged to 14.0%.*

The Board proposed to declare a final dividend of HKD0.02 per ordinary share for the year ended 31 December 2019. Together with the interim dividend, the total dividends for the year are HKD0.09.

As the global leader in the leisure tourism industry, we have two long-established well-known global brands — Club Med and Thomas Cook. Facing the huge China market, we stand in front of a structural opportunity to build up a popular product just like Atlantis Sanya. We expect the overseas tourism market will be affected by public health issues, politics and economy, which will speed up the industry decentralization. On the other hand, with the emergence of new middle class and millennials consumer groups globally, stronger desire for consumption, more diversified consumption needs, and more advanced consumption habits are shown, which evoke the evolution of tourism industry at an unprecedented speed.

In the rapid evolution of the tourism industry, we believe our competitive edge is from consumer orientation, globalization and innovative thinking. We bring up our brand new leisure lifestyle proposition of "FOLIDAY" to the world. This genre of lifestyle breeds new business model, which requires the tourism corporations to take a closer look to consumers' needs and to emphasis on the direct connection of consumers and products. That makes a corporation to form a perfect system in which its products will be self-iterated based on information from consumers. Our FOLIDAY ecosystem is exactly that perfect system.

In 2019, the development of tourism operation, our core business, boosted a rapid and sustainable profit growth. Our resort business of Club Med has demonstrated a dynamic growth in 2019, with its business volume increased by 5.2% year-on-year to RMB13.2 billion. Due to our continuous implementation of product upscaling, globalization and implementation of Happy Digital, the capacities of our resorts increased by 2.4% year-on-year, of which 85.0% is from 4&5 Trident resorts. Although political unrest and instability has been continued in many regions across the world, our globalization strategy effectively mitigated the impact of operational risks of a single market and gave us a development opportunity in a high-growing market. In the past two year, we achieved growth in business volume in our three major markets, especially the growth in Brazil, the United Kingdom and Australia markets.

In November 2019, our resorts business was enriched in term of brand portfolio and types of accommodation through the acquisition of Casa Cook, and Cook's Club brands. The brand-new design style, music and beach elements will attract more sophisticated customers with originality and younger generation groups. The brands will be rapidly expanded in light-assets mode as to ensure our leading position in global resort industry.

Our first project of tourism destinations — Atlantis Sanya recorded an encouraging performance in its first year of operation, demonstrating the advantage of our upscale strategy in China tourism market. Its business volume reached RMB1,312.1 million, representing a 74.2% growth compared with that in 2018. Occupancy rate and number of visits reached a record high again. In 2019, average daily room rate increased by 13.1% year-on-year. Meanwhile, occupancy rate increased from 58.0% in 2018 to 68.5% in 2019 and number of visits reached around 5.2 million.

Tourism operation is always our business core. Saleable residential vacation units, as an innovative form of tourism product, bring us healthy cash turnover and abundant tourism operation resources. We delivered 204 residential vacation units of Tang Residence in 2019. As of the end of 2019, 235 apartments and 10 villas were managed by us as accommodation facilities under Albion brand.

In early 2019, we started the construction of Lijiang FOLIDAY Town and Taicang FOLIDAY Town tourism destination projects. In November 2019, we launched the self-owned "FOLIDAY Town" (復遊城) brand of tourism destinations. FOLIDAY Town is the offline setting of the FOLIDAY lifestyle we carried out in order to build an international lifestyle venue suitable for all ages, settings and business formats. FOLIDAY Town has clearly raised the brand concept: "To Love, To Live, Go to FOLIDAY Town", and built the tourism destination with a combination of leisure tourism and new lifestyle, which aims to better realize the vision of "Bring more happiness to families" proposed by the company.

Our business in services and solutions in various tourism and leisure settings achieved rapid development. In 2019, two Miniversity stores in shopping malls commenced operations in Shanghai. Moreover, the resident show C started performance at Atlantis Sanya in Spring festival in 2019. Our exclusive membership loyalty program, Foryou club has accumulated more than 5 million members by the end of 2019. Business volume of our FOLIDAY distribution platform increased by 123.0% in 2019.

In November 2019, we acquired the brand name of Thomas Cook, one of the leading travel group with 179 years of history. With this centennial and widely-recognized brand, we will integrate tourism distribution business into the "Thomas Cook Lifestyle Platform". This platform will directly serve our customers and develop products combining travel, holiday and a series of lifestyle services. We will launch a united lifestyle platform under Thomas Cook brand internationally in the summer of 2020.

At the beginning of 2020, the COVID-19 outbreak has become the biggest "Black Swan" event, which will inevitably cause short term negative impact on global tourism industry. However, we believe that the demand of the global tourism industry will continue to rise in the long run. When the epidemic ends, there will be more opportunities for outstanding business models. As China's GDP per capita reached USD10,000 in 2019, consumption upgrade will become a long-term trend and will not be reversed by the short-term epidemic. On the contrary, the trend is expected to be strengthened after the epidemic crisis and become the backbone of the development of the cultural tourism industry.

On the other hand, the epidemic allows us to have a better look at the three major opportunities in the future tourism industry. First, the transformation and upgrade of the tourism industry will accelerate, and the transformation from sightseeing to leisure tourism will further accelerate as well. The FOLIDAY lifestyle that we proposed will be more recognized and well-loved. Second, the industry will undergo a round of reshuffle and enterprises with solid foundation will have more opportunities in mergers and acquisitions. Third, business intelligence and online operation will be more widely used in tourism companies. Breaking the physical boundary of office and home, our lifestyle proposition "Everyday is FOLIDAY" will become a reality, allowing our customers to enjoy both vacation and work in the tourism and leisure settings that we provide. The epidemic will promote the changing dynamics of home office, which will gradually become quite common in some industries. This perfectly matches our FOLIDAY lifestyle proposition.

COVID-19 is apparently an internationally public health crisis but not a business model crisis. Thanks to our advantages in product competitiveness and brand awareness, family positioning, globalization of our operations, and FOLIDAY ecosystem, the long-term foundation of our operations have not been impacted, our leading business model will help us overcome the crisis and seize more opportunities after the crisis. At the time of the epidemic, we reasonably controlled the operational costs and maintained a healthy financial level. I will work with my colleague to strive to regard this uncertain environment as more an opportunity rather than simply a crisis. We will continue to seek chance and mobility for further growth.

Finally, I would like to extend my gratitude to our management team and employees for their contributions, commitment, to thank our Board for their effort and support. We will continue to stick to our vision of "bring more happiness to global families", strive to promote the brand new FOLIDAY lifestyle, make "Everyday is FOLIDAY" come true as early as we can, and reward our shareholders for their confidence in the Company with good returns.

Sincerely
Qian Jiannong
Chairman

17 March 2020

BUSINESS OVERVIEW

Our Group is one of the leading leisure-focused integrated tourism groups and the largest leisure tourism resorts group worldwide, in terms of revenue in 2019, according to Frost & Sullivan Report. Our vision is to bring greater happiness to global families. Through our lifestyle proposition, "Everyday is FOLIDAY", we seek to infuse concepts of tourism and leisure into everyday living, and provide tailor-made, one-stop solutions through our FOLIDAY global ecosystem. In 2019, we have further strengthened the brand of our resorts and hotels globally and promoted the attractiveness and distinctiveness of our new tourism destinations with innovative and user-friendly products. We have further enhanced our ecosystem by offering one-stop products and solutions to meet the evolving preference of family customers and development synergies within the ecosystem. In addition, we continue to accelerate the development of customer-focused digital solutions through digital marketing and service experience.

Our business volume[1] of resorts and destination operations and tourism and leisure services and solutions (collectively as "tourism operation"), at constant exchange rate, increased by RMB1,195.9 million from RMB13,399.1 million for the year ended 31 December 2018 to RMB14,595.0 million for the year ended 31 December 2019, representing a year-on-year increase of 8.9%.

1 *Business Volume represents the aggregate sales of our resort service, tourism destination operation and other tourism-related services and solutions, regardless of whether the resort is owned, leased or managed.*

EVERYDAY IS

FOLIDAY

***Club Med** Kani, Maldives*

Club Med *Finolhu Villas, Maldives*

Our Revenue increased by 6.6% from RMB16,269.8 million to RMB17,337.2 million on a year-over-year basis. Gross profit increased from RMB5,276.0 million for the year ended 31 December 2018 to RMB5,538.7[1] million for the year ended 31 December 2019. Adjusted EBITDA increased from RMB2,073.0 million for the year ended 31 December 2018 to RMB3,729.4[1] million for the year ended 31 December 2019 with adjusted EBITDA margin leveraged to 21.5%[1]. Profit attributable to equity holders increased from RMB308.4 million for the year ended 31 December 2018 to RMB608.7[1] million for the year ended 31 December 2019 due to significant contribution of profit attributable from tourism operation.

[1] *We adopted IFRS 16 Leases on 1 January 2019 which capitalizes the present value of the remaining lease payment as right-of-use assets and calculate depreciation instead of recording lease expenses in current period. Details of IFRS 16 adoption and impact are set out in note 2.2 to financial statements. With the adoption of IFRS 16, for the year ended 31 December 2019, gross profit increased by RMB250.9 million, adjusted EBITDA increased by RMB1,294.6 million, and profit attributable to equity holders decreased by approximately RMB155.2 million, respectively. Excluding the adoption impact of IFRS 16, adjusted EBITDA margin leveraged to 14.0%.*

CLUB MED

Club Med, headquartered in France and founded in 1950, is a world-renowned family-centric all-inclusive leisure and vacation service provider. As of 31 December 2019, we have sales and marketing operations in more than 40 countries and regions across six continents, and operate 66 resorts, of which 38 resorts (including a cruise ship) are in EMEA, 12 resorts are in the Americas and 16 resorts are in the Asia Pacific region (including 7 resorts in China). In terms of business models, 15 resorts are under ownership model, 41 resorts are under lease model, and 10 resorts are under management contract model.

Our resort business has demonstrated a dynamic growth in 2019. In 2019, the business volume of Club Med reached RMB13,205.6 million at constant exchange rate, increased by 5.2% on year-over-year basis. The business volume of EMEA, the Americas and Asia pacific increased by 4.1%, 9.9% and 4.4% in 2019, respectively, compared with the same period of last year.

RESORTS

Club Med *Michès Playa Esmeralda, Dominican Republic*

Certain key information with respect to our resort business is set out below:

	For the years ended 31 December	
	2019[1]	2018[1]
Business Volume (RMB Millions)	**13,205.6**	12,557.3
Capacity of Resorts (in thousands)	**12,324**	12,031
Occupancy Rate by Bed	**64.4%**	66.0%
Average Daily Bed Rate (RMB)	**1,330.1**	1,259.6
Revenue per Bed (RMB)	**862.9**	835.1

The dynamic growth was driven by the increase in Average Daily Bed Rate by 5.6% on a like-for-like basis as a result of popularity on the winter ski products and the increased capacities of 4&5 Trident resorts. Occupancy Rate by Bed was slightly impacted by the capacities ramp-up of newly opened resorts since 2018. The recurring EBITDA of resort operation increased to RMB2,363.5[2] million for 2019, compared to RMB987.3 million for 2018. We have continuously focused on the below initiatives to expand our resort business:

Club Med *Michès Playa Esmeralda, Dominican Republic*

[1] *at constant exchange rate*

[2] *Please refer to the note on page 33–34 of the Management Discussion & Analysis section for detail.*

Upscale — Enhancing upscale and premium offerings: We newly opened four resorts in 2019, including Club Med Joyview Resort in Yanqing, Beijing, China, Club Med l'Alpe d'Huez in France, the chalet-apartment of Grand Massif Samoëns Morillon in France, and the Exclusive Collection resort — Miches Playa Esmeralda in Dominican Republic, all of which are 4&5 Trident. Meanwhile, four resorts were reopened in 2019 after renovation and transformation, and two resorts were under renovation and extension by the end of 2019 and will be reopened in 2020. Five resorts with limited capacities were closed under lease agreements in 2019. The capacities with 4&5 Trident increased from 80.1% as of 31 December 2018 to 85.0% as of 31 December 2019.

The following table sets out the Capacity of Resorts by type of resorts:

	For the years ended 31 December	
Type of resorts	2019 '000	2018 '000
Capacity		
Mountain	**2,264**	2,254
Sun	**9,338**	9,268
Club Med Joyview	**722**	509
Total	**12,324**	12,031
4&5 Trident %	**85.0%**	80.1%

Our capital expenditure of resort business incurred in 2019 was approximately RMB686.7 million with positive free cash flow.

Club Med *Grand Massif Samoens Morillon Chalet-Apartments, France*

Globalization — Balancing markets and destinations to achieve sustainable growth and to diversify regional operational risks: Club Med achieved a 5.2% increase in business volume, business volume outside France achieved a growth of 7.4% on like-for-like basis. Globalization effectively diversifies the impact of regional risks on overall operations. In 2019, we were able to outperform most local tourism markets to achieve growth in business volume in major countries across all three regions. Especially in Brazil, the United Kingdom, and Australia, for two consecutive years, we outperformed the market in terms of booking, and the 2-year compounded growth rates of the business volume reached 15.0%, 16.8%, and 22.5%, respectively. The number of customers reached approximately 1,488,000, with a year-on-year increase of 3.2%. Customers from Greater China increased from approximately 243,000 in 2018 to 282,000 in 2019, maintaining a consecutive growth with 10-year compounded growth rate of 19.0%. In addition, our resorts are more geographically dispersed globally in various tourism locations. The following table sets out the business volume and capacities of resorts by geographical regions for the periods indicated:

	For the years ended 31 December	
	2019	2018[1]
Business Volume by customer booking locations (RMB Millions)		
EMEA	**8,405.0**	8,073.1
Americas	**2,408.0**	2,191.9
Asia Pacific	**2,392.6**	2,292.3
Total	**13,205.6**	12,557.3
Capacities of resorts by locations		
EMEA	**5,628**	5,467
Americas	**3,363**	3,438
Asia Pacific	**3,333**	3,126
Total	**12,324**	12,031

1 *At constant exchange rate*

Happy Digital & C2M Strategy — Digital on customer emotion amplification and operation efficiency: During 2019, we optimized 35 Club Med websites in 18 languages and extended new online sales channels and platforms, which leveraged website conversion rate on mobile by 24%. Direct sales proportion through the sales network of Club Med reached 65.0% in 2019. In 2019, we launched a new Mobile APP program "My Happy Days", featuring resort and activity guidance, online check-ins, activities reservations and social functions. In addition, we deployed an in-house developed experience "Amazing Family", proposing unique parents-kids bonding activities in 22 resorts worldwide. We have extensively deployed digital whistband, new cashless payment mobile applications, easy check-in and check-out, in-resort activities guides and other innovative solutions.

Ski Ecosystem — Leverage our strength as a top ski resort provider: We are the largest ski resort provider in Europe in terms of number of resorts in 2019. We operate 17 mountain resorts in Europe and four in Asia. We opened 2 new ski resorts in the second half of 2019, which are Club Med l'Alpe d'Huez in French Alps and the Chalet-apartment of Grand Massif Samoëns Morillon in France. Our Average Daily Bed Rate of mountain resorts increased by 8.2% in 2019 compared to the same period in 2018. Our Mountain resort Arcs Panorama, newly opened in December 2018, received great success in its first year with business volume amounted to RMB338.1 million in 2019. We plan to further leverage our strength not only in Alps region, but also in other fast growing ski areas and massive potential customer markets, we aim to open more mountain resorts and provide more related services and solutions under our strong brands. Club Med is also collaborating with one of the largest global ski academies, Ecole du Ski Francais (ESF), to deliver advanced ski programs to Chinese winter sports enthusiasts. In 2019, Club Med and ESF has newly opened 3 schools, located in Taiwoo Ski Town, Chongli in Hebei Province, Shijinglong Ski Resort in Yanqing Beijing, and Nantian Lake Ski Resort in Chongqing. As a leading ski resort provider, we have collaborations with several national ski teams. Since 2018, China's national Mountain Ski Team, Speed Skating Team and Sled Team have been training in Club Med Val D'Isere, Club Med Val Thorens and Club Med Valmorel.

We have strong pipelines to open new resorts in the future, including a resort on the Sainte Anne Island, Seychelles, a mountain resort La Rosiere in French Alps, a seaside resort in Marbella, Spain, and a mountain resort in Quebec Charlevoix, Canada, which will open in 2020 and thereafter. In addition, we have also signed several contracts to open new resorts in China in the next few years, including Club Med and Club Med Joyview Resorts in Lijiang and Taicang FOLIDAY Town.

The resorts that we operated as of 31 December 2019 were as follows:

No.	Name of Resort	Number of Beds	Duration[(1)]	Number of Rooms	Trident[(2)]	Location	Year of opening[(3)]	Type	Operating Model[(4)]
	EMEA								
1	AGADIR	843	Permanent	374	3	Morocco	1967	Sun	Leased
2	AIME LA PLAGNE	528	Seasonal	240	3	France	1989	Mountain	Leased
3	ALBION	618	Permanent	260	5	Mauritius	2007	Sun	Leased
4	ALBION VILLAS	186	Permanent	27	5	Mauritius	2010	Sun	Leased
5	ARCS EXTREME	590	Seasonal	284	3	France	1980	Mountain	Leased
6	ARCS PANORAMA	968	Bi-seasonal	433	4+5	France	2018	Mountain	Leased
7	BODRUM	502	Seasonal	242	4	Turkey	1995	Sun	Managed
8	CAP SKIRRING	415	Seasonal	205	4	Senegal	1973	Sun	Owned
9	GRAND MASSIF SAMOENS MORILLON CHALETS	59	Bi-seasonal	11	5	France	2019	Mountain	Leased
10	CEFALU	645	Permanent	322	5	Italy	2018	Sun	Leased
11	CERVINIA	464	Seasonal	199	4	Italy	2001	Mountain	Leased
12	CLUB MED 2	377	Permanent	184	5	CM2	1992	Sun	Owned
13	DA BALAIA	798	Seasonal	389	4	Portugal	1986	Sun	Leased
14	DJERBA LA DOUCE	1,070	Seasonal	520	3	Tunisia	1975	Sun	Leased
15	GRAND MASSIF SAMOENS MORILLON	941	Bi-seasonal	420	4	France	2017	Mountain	Leased
16	GREGOLIMANO	974	Seasonal	460	4	Greece	1978	Sun	Owned
17	KAMARINA	1,632	Seasonal	686	3	Italy	1981	Sun	Leased
18	KEMER	939	Seasonal	463	3	Turkey	1977	Sun	Owned
19	LA PALMYRE ATLANTIQUE	1,169	Seasonal	404	3	France	2003	Sun	Leased
20	LA PLAGNE 2100	590	Seasonal	339	4	France	1990	Mountain	Leased
21	LA POINTE AUX CANONNIERS	873	Permanent	393	4	Mauritius	1973	Sun	Leased
22	L'ALPE D'HUEZ	996	Bi-seasonal	450	4	France	2019	Mountain	Leased
23	MARRAKECH LA PALMERAIE	870	Permanent	356	4+5	Morocco	2004	Sun	Leased
24	OPIO EN PROVENCE	910	Permanent	429	4	France	1989	Sun	Leased
25	PALMIYE	1,777	Seasonal	722	4	Turkey	1988	Sun	Managed
26	PEISEY-VALLANDRY	730	Bi-seasonal	281	4	France	2005	Mountain	Leased
27	PRAGELATO	720	Bi-seasonal	273	4	Italy	2012	Mountain	Leased
28	SAINT-MORITZ ROI SOLEIL	599	Seasonal	304	4	Switzerland	1963	Mountain	Leased
29	SANT'AMBROGGIO	729	Seasonal	290	3	France	1971	Sun	Leased
30	SERRE-CHEVALIER	991	Bi-seasonal	349	3	France	2001	Mountain	Leased
31	TIGNES VAL CLARET	498	Seasonal	228	4	France	1975	Mountain	Leased
32	VAL D'ISERE	557	Seasonal	275	4+5	France	1978	Mountain	Leased
33	VAL THORENS	776	Seasonal	384	4	France	2014	Mountain	Leased
34	VALMOREL	905	Bi-seasonal	416	4+5	France	2011	Mountain	Leased
35	VALMOREL CHALETS	311	Bi-seasonal	59	5	France	2011	Mountain	Leased
36	VITTEL ERMITAGE	194	Seasonal	104	4	France	1973	Sun	Leased
37	VITTEL LE PARC	827	Seasonal	363	3	France	1973	Sun	Leased
38	YASMINA	812	Seasonal	343	4	Morocco	1969	Sun	Leased

No.	Name of Resort	Number of Beds	Duration[1]	Number of Rooms	Trident[2]	Location	Year of opening[3]	Type	Operating Model[4]
	Americas								
1	CANCUN YUCATAN	1,316	Permanent	502	4+5	Mexico	1976	Sun	Owned
2	COLUMBUS ISLE	536	Permanent	236	4	Bahamas	1992	Sun	Owned
3	MICHES	725	Permanent	270	5	Dominican Republic	2019	Sun	Leased
4	IXTAPA PACIFIC	793	Permanent	296	4	Mexico	1981	Sun	Owned
5	LA CARAVELLE	701	Permanent	328	4	France (Guadeloupe)	1974	Sun	Leased
6	LAKE PARADISE	968	Permanent	377	4	Brazil	2016	Sun	Leased
7	LES BOUCANIERS	646	Permanent	291	4	France (Martinique)	1969	Sun	Owned
8	PUNTA CANA	1,739	Permanent	631	4+5	Dominican Republic	1981	Sun	Owned
9	RIO DAS PEDRAS	823	Permanent	379	4+5	Brazil	1988	Sun	Owned
10	SANDPIPER	1,001	Permanent	307	4	United States of America	1987	Sun	Owned
11	TRANCOSO	595	Permanent	250	4	Brazil	2002	Sun	Owned
12	TURQUOISE, TURCS & CAICOS	582	Permanent	291	4	Turks and Caikos	1985	Sun	Leased
	Asia Pacific								
1	BALI	902	Permanent	393	4	Indonesia	1986	Sun	Owned
2	BEIDAHU	458	Seasonal	176	4	China	2016	Mountain	Managed
3	BINTAN ISLAND	656	Permanent	308	4	Indonesia	1996	Sun	Leased
4	CHERATING BEACH	679	Permanent	297	4	Malaysia	1979	Sun	Owned
5	CLUB MED JOYVIEW ANJI	810	Permanent	300	4	China	2018	JoyView	Managed
6	CLUB MED JOYVIEW GOLDEN COAST	780	Permanent	298	4	China	2018	JoyView	Managed
7	GUILIN	847	Permanent	350	4	China	2013	Sun	Managed
8	KABIRA	585	Permanent	181	4	Japan	1999	Sun	Leased
9	KANI	584	Permanent	272	4+5	Maldive Islands	2000	Sun	Leased
10	KANI FINHOLU VILLAS	104	Permanent	52	5	Maldive Islands	2015	Sun	Leased
11	PHUKET	799	Permanent	340	4	Thailand	1985	Sun	Owned
12	SAHORO HOKKAIDO	659	Seasonal	208	4	Japan	1988	Mountain	Leased
13	SANYA	957	Permanent	384	4	China	2016	Sun	Managed
14	TOMAMU HOKKAIDO	964	Bi-seasonal	341	4	Japan	2018	Mountain	Managed
15	YABULI	697	Seasonal	279	4	China	2010	Mountain	Managed
16	CLUB MED JOYVIEW YANQING PEKING	772	Permanent	307	4	China	2019	JoyView	Managed

Notes:

(1) Permanent resorts open all year long. Seasonal resorts open in either the summer season or the winter season of each year. Bi-seasonal resorts open in the summer season and the winter season of each year.

(2) "3": Three Trident Resort

"4": Premium Four Trident Resort

"4+5": Four Trident Resort with Five Trident Space

"5": Five Trident Resort, Villas and Chalets, and Club Med 2 cruise ship, now called Exclusive Collection collectively

(3) This includes year of re-opening.

(4) Unless otherwise stated, we wholly own the property holding companies of the resorts below under the ownership operating model.

The following maps illustrate the location of our resorts by region as of 31 December 2019:

EMEA: 38

Note: [1] In Europe and Caribbean

ClubMed ClubMed Joyview

Americas: 12

ClubMed ClubMed Joyview

Asia and Pacific: 16

ClubMed ClubMed Joyview

CASA COOK AND COOK'S CLUB

We have acquired the hotel brands of Casa Cook and Cook's Club from Thomas Cook Group plc and its subsidiaries (collectively referred as "Thomas Cook") upon its liquidation to further expand our resort and hotel portfolio globally. Casa Cook is an award-winning boutique hotel brand that focuses on design aesthetics and high-quality dining to create comfortable and happy experience for guests. Cook's Club is a beach hotel concept designed for a new generation of travelers who persue fun, lively holiday atmosphere in hotels that have modern and stylish design. Upon acquiring relevant brands, we are actively developing projects globally. As of 13 March 2020, we have entered into franchise agreements with four hotels in Europe. In the next three years, we plan to further expand Casa Cook, Cook's club and other derivative brands, if any, with not less than 15 hotels.

TOURISM DESTINATIONS

ATLANTIS SANYA[1]

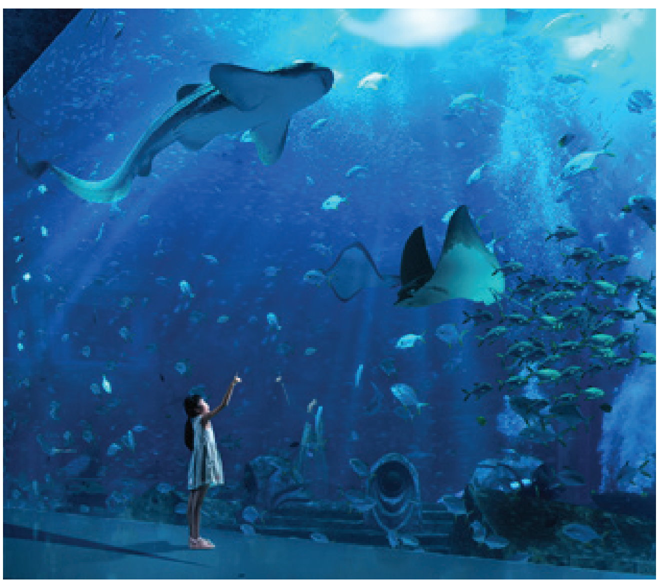
As our first tourism destination project, Atlantis Sanya has become an iconic landmark for global tourists. In 2019, the business volume of Atlantis Sanya increased by more than 74.2% compared with last year, in particular, from May to December (Atlantis Sanya officially opened on 29 April 2018), it increased by 22.6% compared with the same period of last year. Both guest room income and other operating income increased significantly, mainly due to the significant increase in the number of visitors. Other operating income reached RMB600.0 million, representing an increase of 85.8%. In 2019, the number of clients visiting Atlantis Sanya increased from 3.2 million to approximately 5.2 million compared with the same period in 2018. In addition, in 2019, the number of visitors to the Waterpark and the Aquarium reached approximately 1.1 million and 1.2 million respectively. The adjusted EBITDA of Atlantis Sanya's operation business increased to RMB564.8 million in 2019 and it has contributed sound profit to the Group. The following table illustrates certain key operating information of Atlantis Sanya:

1 *Atlantis Sanya is owned by the Group and managed by Kerzner, except for Tang Residence. It had its soft opening in February 2018 and officially opened on 29 April 2018.*

Item	For the year ended 31 December 2019	For the period from 15 February 2018 to 31 December 2018
Business Volume (RMB'000)	**1,312,059.9**	753,134.6
Room Revenue (RMB'000)	**712,085.5**	430,174.6
Other Operating Revenue (RMB'000)[1]	**599,974.4**	322,960.0
Occupancy Rate by Room	**68.5%**	58.0%
Average Daily Rate by Room (RMB)	**2,167.3**	1,915.6
RevPar by Room (RMB)	**1,485.0**	1,111.8

As of 31 December 2019, there had been over 1.8 billion User Generated Contents ("UGC") themed "Atlantis Sanya" on the mobile application "Tik Tok". We continue to enrich customer experiences in Atlantis Sanya with various tourism and entertainment services and solutions, including Miniversity, the resident Show C in C Theatre, Foryou Ski (復遊雪) experience and entertainment events. To leverage efficiency and happy experience, we are implementing various digital solutions, including the facial recognition access to Aquarium and Waterpark and Photo (復遊拍) e-photo studios, etc. In 2019, Atlantis Sanya achieved sales of more than RMB40.0 million in the well-known online shopping festival "Taobao Double 11" in China, ranked No. 1 in stand-alone hotel category and been awarded 47 prizes domestically and worldwide.

Aquaventure Waterpark, Atlantis Sanya



The Lost Chambers Aquarium, Atlantis Sanya

Atlantis Sanya includes 1,004 saleable residential vacation units, called Tang Residence, including 197 villas and 807 vacation apartments with 190 villas and 794 apartments presold. We delivered 764 apartments in 2018. In 2019, we delivered 28 apartments and 176 villas and recognized RMB3,433.6 million of contract liabilities as revenue. Within 984 units presold, the remaining 2 apartments and 14 villas are expected to be transferred when the ownerships are transferred subject to applicable laws and regulations. We started to sell the remaining saleable apartments and villas in 2020. For the apartments and villas sold, approximately 235 apartments and 10 villas were managed by us as accommodation facilities under Albion brand as of the end of 2019.

1 *This mainly includes (i) the revenue from the Aquarium and the Waterpark and (ii) the revenue from the food and beverage and other services provided.*

FOLIDAY TOWN (復遊城)[1]

We launched the "FOLIDAY Town" (復遊城) brand in November 2019. FOLIDAY Town is the key self-developed brand for our tourism destination business. As a new tourism and leisure product in response to consumption upgrade, the vision of FOLIDAY Town is to connect various leading global tourism and leisure brands together to lead a new global vacation lifestyle by leveraging our global FOLIDAY ecosystem and the successful operation experience in Club Med and Atlantis Sanya.

LIJIANG FOLIDAY TOWN (麗江復遊城)

Lijiang FOLIDAY Town covers land parcels of approximately 695,000 square meters in Baisha town in Lijiang city, Yunnan province in Southwestern China, which is defined as an international tourism destination targeting mid-to-high-end customers and plan to combine comprehensive tourism and leisure features, such as sightseeing attractions, resort and other accommodations (including a Club Med resort), recreational facilities, custom resort inns and accommodations, shows, local events and tours which will be operated and managed by us or our strategic partners. The GFA of Lijiang FOLIDAY Town is approximately 310,000 square meters and the project development costs (mainly including the cost to acquire the land use right and construction cost) is expected to be approximately RMB4 billion. Subject to regulatory authority's approval, the project was planned to include saleable vacations inns and residence with total GFA of over 237,000 square meters. The saleable vacation inns and residence will be designed as low-rise detached houses with low density targeting high-end customers and low-rise courtyard houses targeting mid-to-high-end customers. We have started construction of Club Med Resort and international tourism center in 2019, and the other portion of the project commences construction in stages upon local government approval and construction plan. The project is expected to be completed in stages starting from either late 2020 or early 2021 and achieve full completion in the following two to three years. As of 31 December 2019, the total cost incurred for the Lijiang FOLIDAY Town was approximately RMB746.2 million.

Lijiang FOLIDAY Town

The image shown is part of the design of Lijiang FOLIDAY Town, which is for illustration purposes only and may not be an exact representation of the product.

[1] *We launched the brand "復遊城" ("FOLIDAY Town") in November 2019. FOLIDAY Town is designated to offer Foliday life style experience with integrated settings of international brands, intelligent operations and various innovation solutions in FOLIDAY ecosystem for global family.*

TAICANG FOLIDAY TOWN (太倉復遊城)

Taicang FOLIDAY Town covers land parcels of approximately 483,000 square meters in Taicang city, Jiangsu province in East China. The project is adjacent to Shanghai, located near Taicang South Station. It offers easy access to Shanghai Economic Belt with four intercity high-speed railways and one urban rail transit. After the completion of Taicang South Station, it takes less than 30 minutes to reach Taicang FOLIDAY Town from Shanghai Hongqiao Transportation Hub. The project is designed to offer various themed experiences and tourism features, including but not limited to one of the largest indoor snow slope in East China, a sports park, a Club Med resort, a European style commercial streets, and saleable vacation units. The GFA of Taicang FOLIDAY Town is approximately 1,286,000 square meters and the project development costs (mainly including the cost to acquire the land use right and construction cost) is expected to be approximately RMB13.2 billion. Subject to regulatory authority's approval, the project was planned to include saleable vacations units with total GFA of over 554,000 square meters. The saleable vacation units will be designed as high-rise apartment buildings targeting mid-to-high-end customers. Our indoor snow slop was designed by Compagnie des Alpes ("CDA"), one of the world's leading ski resort operators based in France, to offer facilities and services with international standards. We have started construction since January 2019 and the construction of the display center for commercial sites and marketing showrooms has been opened to customers at the end of 2019. The construction is expected to be completed in stages starting from 2021 and archive full completion in the following three to four years. As of 31 December 2019, the total cost incurred in the Taicang Project was approximately RMB2,662.8 million, which was mainly used for land acquisitions and construction costs.

Other than Lijiang FOLIDAY Town and Taicang FOLIDAY Town, we are also in discussion with other developers to explore the opportunities to provide tailor-made tourism destination design, technical support and management services. In addition, we are exploring various cooperation and strategic partnerships opportunities with other companies on the development and operation models of tourism destination. We also managed and operated tourism destinations in many regions of China, such as Zhejiang, Jiangsu and Guangdong provinces under the Albion Brand.

The image shown is a part of design of Taicang FOLIDAY Town, which is for illustration purposes only and may not be an exact representation of the product.

Taicang FOLIDAY Town

SERVICES AND SOLUTIONS

IN VARIOUS TOURISM AND LEISURE SETTINGS

The C theatre of Atlantis Sanya

ENTERTAINMENT, OTHER TOURISM AND CULTURE RELATED SERVICES

Our entertainment, other tourism and culture related services grow rapidly. A modern show, the resident Show C, which involves creative inputs from world-class creators and artists, integrated with advanced stage technologies, started at the C Theatre of Atlantis Sanya in February 2019. Resident Show C, which is very attractive for family customers, was performed more than 500 times in 2019. After the opening the first Miniversity[1] in Atlantis Sanya in 2018, we opened two more Miniversity in shopping malls located in Shanghai in March 2019. Miniversity focuses on bilingual parent-child activities and learn-and-play courses. In addition, we launched two Foryou Ski, an indoor ski simulation center that provides ski training service, one in Atlantis Sanya and one in Shanghai. Foryou Ski became not only a ski training site, but also an active marketing and sales channel for our ski resorts. We plan to further provide extensive services and solutions to meet the customers' evolving needs and bring value-added synergies within our FOLIDAY ecosystem.

[1] *A one-stop international learning and playing club for children under the cooperation with Mattel, a global leader in learning and developing through play and the owner of the copyrights and trademarks of Fisher-Price, Thomas & Friends, MEGA, Hot Wheels, Bob the Builder and Barbie. Under the cooperative agreement, we hold 70% of equity interest in Miniversity and Mattel holds the remaining 30% of equity interest.*

Miniversity BFC Flagship Center, Shanghai

PLATFORM FOR FAMILY-FOCUSED TOURISM AND LEISURE RELATED OFFERINGS

Our FOLIDAY distribution platform provides and distributes tailor-made tourism and leisure solutions for family, which include our FOLIDAY mobile application, Wechat account and travel agencies[1]. In 2019, the business volume of our FOLIDAY distribution platform reached RMB476.5 million, an increase of 123.0% over the same period in 2018.

In November 2019, we acquired Thomas Cook's right, title and interest in trademark, domain names, software application, social media accounts and licenses relating to the Thomas Cook brand across most international markets upon its liquidation.

We aim to further expand our FOLIDAY platform business leveraging the extensive brand awareness and profound influence of Thomas Cook brand. With a history of 179 years, the Thomas Cook brand is the frontrunner of establishing tourism industry and one of the most well-known tourism brands around the world. We are in the process to integrate various applications and channels in our current FOLIDAY distribution platform to be a united lifestyle platform under Thomas Cook brand. In addition, we are exploring various opportunities to launch the online travel agency and tourism operation services with differentiated products and solutions under Thomas Cook brand launching internationally this summer.

MEMBER LOYALTY PROGRAMMES

Our loyalty programs include global Club Med Great Member loyalty program and Foryou Club, which has integrated members from various of our brands in the FOLIDAY ecosystem, including but not limited to members of Atlantis Sanya, Club Med's Great Members from China, FOLIDAY mobile application and other members from various activities and services we provide. Foryou club interacted with other strategic partners for membership benefits, including Alipay, Fliggy, Tencent Wealth Management members. As of 31 December 2019, Foryou Club has accumulated approximately 5 million members.

[1] *Our travel agencies include joint ventures with Thomas Cook Group Plc, namely Kuyi International Travel Agency (Shanghai) Co., Ltd. and Kuyi International Travel Agency (Sanya) Co., Ltd (collectively referred as "Kuyi"). We have entered into an agreement with the liquidator of Thomas Cook Group Plc in December 2019 to acquire the rest 49% equity interest in Kuyi originally held by TCG Plc.*

INTELLIGENT MIDDLE OFFICE PLATFORM

To improve the operational efficiency of destination management, we have launched a program to develop an integrated middle-office platform with operation functions in marketing, branding, pricing and yield management, payments and orders, sales, CRM and call centers for various business lines located in different regions. As of the end of December, 197 distributors had settled on the integrated middle-office platform. At the same time, the direct connection success rate and order volume increased significantly. In addition, we are launching the resort and tourism destination digitalization center which provides various digital solutions and management systems, including our hotel (resort) operating management system FOTEL, to achieve an upgrade from a single hotel management system to a one-stop operation management platform. With the implementation of our Intelligent Middle Office Platform together with membership services such as self-service express check-in, event booking, catering ticket purchase, quick entry through face recognition and image recognition, we provide convenient and fun leisure experiences to our customers.

With continuous enhancement of our FOLIDAY global ecosystem and product capabilities, the Group's business achieved a dynamic and robust growth in 2019. We will continue to focus on the enhancement of our business brands and products, further strengthen globalization and C2M ecosystem, develop contents and distribution platforms, and seize investment, acquisition or strategic alliance opportunities to further supplement our FOLIDAY ecosystem.

RECENT UPDATE ON COVID-19

Our business has solid growth in the first two months of 2020 even with the outbreak of COVID-19 starting in late January. For the two months ended 29 February 2020, the business volume of our resort operation increased by approximately 8% and the EBITDA of our resort operation increased by over 20%, compared with the same period in 2019, respectively. The business volume of our domestic destination operation decreased as a result of epidemic impact, however, the EBITDA of our domestic destination operation for the two months ended 29 February 2020 was still positive with amount of approximately RMB50 million. As of 31 December 2019, we had cash and cash equivalent of approximately RMB2.1 billion and unused bank loan facilities amounted to approximately RMB2.5 billion, which provided sufficient proceeds for our business development.

With the outbreak of COVID-19 in China and subsequent worldwide evolution, our revenue from tourism operation in regions with infected cases has been and will be still negatively impacted temporarily during the outbreak period. We have implemented various measures to mitigate the impacts of COVID-19 on our business and ensure the health and safety of our customers and employees, including but not limited to:

— Implementation of COVID-19 prevention and control policies released by relevant government authorities;

— Customer care programs with rescheduled and cancellation travel services for customers in accordance with relevant regulations;

— Temporary closure of certain resorts or certain facilities of tourism destinations;

— Provision of equipment and supplies for prevention of COVID-19 in the resorts, tourism destination and working space with flexible working environment and hours for employees;

— Implementation of cost control policies and postpone certain capital expenditure on resorts;

In addition, through Fosun's global network, we are actively involved in providing complimentary masks, protective suits and other supplies for medical personnel and other applicable parties and personnel not only in China, but also in other countries and regions worldwide.

The COVID-19 outbreak is an international public health crisis. Thanks to our global FOLIDAY ecosystem and business models we may be in a position to rebound our business quickly subsequent to the COVID-19 outbreak period. Our leading market position with remarkable customer experience and brand awareness in different regions will provide regional customers with extensive local leisure services and solutions. The epidemic is profoundly changing consumer consumption concepts. Consumers generally have higher requirements for the quality of tourism and service. The Chinese government also issued document named 'Implementation Opinions on Promoting Consumption Expansion and Quality Enhancement and Accelerating the Formation of a Strong Domestic Market' on 13 March 2020 to promote the upgrading of the quality of the tourism industry. Especially in China, Atlantis Sanya proves to have excellent product competitiveness and the weekend occupancy in mid-March 2020 has recovered to around 50% of the same period in 2019. In addition, with our globalization strategy, we can mitigate regional risks to overall business by resuming our operations in regions where the epidemic has been contained. We will continuously strengthen our leading position in regional markets, further improve customer experiences in our products and solutions, and implement relevant health and safety control procedures and process in our resorts and tourism destinations. We believe COVID-19 will not impact our long term capability to provide tourism and leisure services for our customers and generate value for our shareholders.

AWARDS RECEIVED BY THE GROUP IN 2019

Award/Recognition	Award Issuing Authority	Brand/Resort/Entity/ Tourism Destination Receiving Award
#1 Family Resort in China and #1 All-inclusive Resort	TripAdvisor Traveler's choice	Club Med Sanya Resort
#1 Family Resort in Japan	TripAdvisor Traveler's choice	Club Med Sahoro
#2 Family Resort in Japan	TripAdvisor Traveler's choice	Club Med Kabira
Best Child Friendly Hotel — 2018 Hainan and Best International Reception Hotel Award — 2018, Hainan	Hainan Award	Club Med Sanya Resort
Best Ski Product	Belgium Travel Awards	Club Med
Best family resorts	Expatriates' Magazine Singapore	Club Med Bintan
Best hotel & tourism resort	MIPIM	Club Med Cefalu
Best Digital Happiness Index	1to1 Monaco	Club Med B2C websites
Best Customer Relation	Customer Relation Award	Club Med
Best holiday destination	2019 KOL Credibility Gold list	Club Med Joyview Anji
#26 Attractive Employer in France	Universum's ranking	Club Med
Premium Family Fun Resort of the year	Media Zaker	Club Med Sanya
The Public Prize of "Disrupt"	Tech European Award	Club Med Digital Transformation
Best Digital Transformation (Gold) & Best Global Transformation (Silver)	G20 Management Summit	Club Med
TOP 50 of top employer in all sectors from young graduate	Le Figaro (French newspaper)	Club Med
Platinum for Miches Resort 3D video, Gold award for their Trident Brochure	Hermes Creative Awards (USA)	Club Med Miches Resort
Best hotel above 200 rooms	International Hotel and Property awards	Club Med Arcs Panorama
"Trusted Family Brand" of the Year 2019	TimeOut Family China	Club Med
Best Resort & Hotel Group	National Travel Industry Award, Australia	Club Med
#1 Best Hotel in Japan	International Travelers (APAC)	Club Med Tomamu
#1 best family resort in Japan	Kids Australia Readers's Choice	Club Med Tomamu
#2 Best Family Resort in Bali	Kids Australia Readers's Choice	Club Med Bali

Award/Recognition	Award Issuing Authority	Brand/Resort/Entity/ Tourism Destination Receiving Award
#3 Best Family resort for babies in APAC Best "Client Experience"	AFRC (France)	Club Med
"Best ski operator" for the 2nd year	Travel Awards Belgium	Club Med
Business Impact Award	NICE Costumer Contact Solution (France)	Club Med
Best Digital transformation for my Club Med APP	World Wide Hospitality Award	Club Med
Gold award for my Club Med APP	"Strategies" (French eco magazine)	Club Med
Best Partner in Travel Award	TouTiao Ecosystem Conference	Club Med
Excellent Partner in Travel Award	MafengwoWorld Explorers	Club Med
The Best Holiday Hotel of the Year	China Tourism Industry Awards (by Travel Weekly China)	Club Med Sanya Resort
Top 3 destinations for Groups & Events in Brazil	Premio Caio Brazil	Club Med Lake Paradise
Top 3 destinations for Groups & Events in Brazil	Premio Caio Brazil	Club Med Rio Das Pedras
Top 3 destinations for Groups & Events in Brazil	Premio Caio Brazil	Club Med Trancoso
The Best Parenting Hotel of the Year	Life Element's "2019 Element's Choice Life"	Club Med Sanya Resort
The Best Resort and Most Popular Resort of the Year	Life Element's "2019 Element's Choice Life"	Club Med Joyview Golden Coast
The Best Resort of the Year	The 9th China Hotel Awards	Club Med Joyview Golden Coast
The Resort of Choice Award	Pinchain's 2019 China Travel Awards	Club Med Joyview Beijing Yanqing
Top30 Most Popular Family Hotels 2018	HOTELWEEKEND	Atlantis Sanya
The Most Characteristic Suite	Travelling Scope	Atlantis Sanya
2018 Most Recognized New Hotel Awards	Ctrip	Atlantis Sanya
The Dining WOW-Tang	My Vacation	Atlantis Sanya
2018 Most Popular Comprehensive Tourist Destination of China	HOTELWEEKEND	Atlantis Sanya
2018 Most Influential Theme Park of Chinese Tourism	China tourism news	Atlantis Sanya
The Best Luxury Hotel in 2018	Tuniu	Atlantis Sanya
The Best Resort in China	TTG China Travel Awards	Atlantis Sanya
The Best Resort Destination in Year 2019	Credibility Golden List by China KOL	Atlantis Sanya

Award/Recognition	Award Issuing Authority	Brand/Resort/Entity/ Tourism Destination Receiving Award
The Best Family Hotel Awards	Meituan	Atlantis Sanya
Annual Reader's Choice	China Feast Restaurants Award	Bread Street Kitchen & Bar, Atlantis Sanya
The Best Western Restaurant	China Feast Restaurants Award	Ossiano Underwater Restaurant & Bar, Atlantis Sanya
The Most Recommended Themed Restaurant	China Feast Restaurants Award	Crab Kitchen, Atlantis Sanya
Sanya Must-see Scenic Spot	Dianping	Atlantis Sanya
The Best Cooperative Partner in Ctrip Hotel	Ctrip	Atlantis Sanya
The Best Strategic Partner	China Travelers Forum	Atlantis Sanya
2018 Best Culture & Tourism Marketing Case Award — Atlantis Sanya Collaboration with Warner Film Aquaman to deliver Cross-border Marketing	2018 China Culture & Tourism Top Ten Business Leaders Award	Atlantis Sanya
The Most Popular Culture & Tourism Project Award	2018 China Culture & Tourism Top Ten Business Leaders Award	Atlantis Sanya
Ctrip Gourmet List	Ctrip	Ossiano Underwater Restaurant & Bar, Atlantis Sanya
Team Award	The 8th National Cooking Skills Competition (Hainan Division)	Atlantis Sanya
Guest Review Awards 2018	Booking.com	Atlantis Sanya
The sliver A'Design Award — Engineering, Construction And Infrastructure Design	A' Design Award 2018–2019	Atlantis Sanya
2018 Best Wedding Hotels of China	Starlight Awards	Atlantis Sanya
Top10 Hainan Cooperative Partners	Meituan	Atlantis Sanya
2019 Green Island Award	Hainan Construction Industry Association	Atlantis Sanya
Best Weddibg Hotel — Hotel Awards 2019	Metropolitan	Atlantis Sanya
Best Hotel SPA — Hotel Awards 2019	Metropolitan	AHAVA SPA, Atlantis Sanya
The Best Family Hotels No.4 in Asia on Worldwide Reader Poll — Best in Travel 2019	Smart Travel Asia	Atlantis Sanya
Annual Cultural Tourism Complex Project	Continental Diamond Award	Atlantis Sanya

Award/Recognition	Award Issuing Authority	Brand/Resort/Entity/ Tourism Destination Receiving Award
The Best Employer of Tourism & Hospitality Industry	Veryeast.cn	Atlantis Sanya
The Best Marketing Award	MICE China	Atlantis Sanya
2019 Double11 Millions Award	Fliggy	Atlantis Sanya
Double 11, The Best Partner Award 2019	Fliggy	Atlantis Sanya
The Most Popular Wedding Resort in Sanya	2019 The 23rd TIANYA HAIJIAO International Wedding Festival	Atlantis Sanya
2019 International Hospitality Industry Outstanding Conference Service Hotel	China Hospitality Association	Atlantis Sanya
Outstanding Enterprises in the Hotel, Food and Beverage Industry of Hainan Province in commemorating the 70th Anniversary of the People's Republic of China	Hainan Hotel & Catering Association	Atlantis Sanya
Luban award of China construction Engineering 2018–2019 (National Quality project)	China construction industry association	Atlantis Sanya
2019 Chinese Outstanding Outdoor Water Parks	Asia Attractions Gold Crown	Aquaventure Waterpark, Atlantis Sanya
2019 China's Top 50 Hotels/Resorts	Voyage	Atlantis Sanya
The Best Specialty Restaurant of the Year	TARGET TASTE	Atlantis Sanya — Ossiano Underwater Restaurant & Bar
The Best Lounge of the Year	TARGET TASTE	Atlantis Sanya — Tikki Lounge Tikki
Top 10 Landmark Hotel in China	Weekend Hotel	Atlantis Sanya
The Wedding Hotel of the year in Greater China	Premium Traveler	Atlantis Sanya
The 2019 Best Destination Wedding Hotel Award	Wedding Vogue	Atlantis Sanya
The Best Parent-Child Hotel	Travelling scope	Atlantis Sanya
The Best Catering Hotel	Travelling scope	Atlantis Sanya
The Top 10 Most Popular Travel Accommodation Brand	Tik Tok	Atlantis Sanya
Top 50 Xinrui New Firm	Chinese listed companies by brand value in 2019	Fosun Tourism Group
Best Family Leisure Holiday Service Provider	National Tourism Fashion Awards in 2018	Fosun Tourism Group

Award/Recognition	Award Issuing Authority	Brand/Resort/Entity/ Tourism Destination Receiving Award
2019 Red Coral Award of Asia Tourism — Best Cultural Tourism Industry Group	2019 Asia Tourism Industry Annual Conference	Fosun Tourism Group
Most Valuable Consumer and Service Companies	ZhiTongCaiJing — 4th Golden HK Stock Award	Fosun Tourism Group
Top 20 Chinese Tourism Groups	China Tourism Development Forum	Fosun Tourism Group
Travel Industry Preferred Island Destination Investment Group	International Islands Tourism Conference	Fosun Tourism Group
Outstanding Operator Of China Cultural & Tourism Industry	2019 China Tourism Investment Value Summit	Fosun Tourism Group
Public Welfare Excellence Award	Hong Kong Public Welfare	Fosun Tourism Group
Best Investment Value Award For Listed Companies	Ta Kung Pao China Securities Golden Bauhinia Award	Fosun Tourism Group
Outstanding Innovation Model Enterprises of 2019	The Golden Jubilee Award	Fosun Tourism Group

SELECTED ITEMS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
REVENUE	**17,337,169**	16,269,819
Cost of revenue	**(11,798,444)**	(10,993,771)
Gross profit	**5,538,725**	5,276,048
Other (expenses)/income and gains, net	**(37,221)**	42,809
Selling and marketing expenses	**(2,230,897)**	(2,291,700)
General and administrative expenses	**(1,199,382)**	(1,285,322)
Operating profit	**2,071,255**	1,741,835
Finance costs	**(800,886)**	(436,905)
Share of profits and losses of:		
Joint ventures	**—**	(13,635)
Associates	**4,401**	2,093
PROFIT BEFORE TAX	**1,274,740**	1,293,388
Income tax expenses	**(698,447)**	(904,267)
PROFIT FOR THE YEAR	**576,293**	389,121
Attributable to:		
Equity holders of the Company[1]	**608,722**	308,441
Non-controlling interests	**(32,429)**	80,680
	576,293	389,121

1 Profit attributable to equity holders of the Company for the year ended 31 December 2019 included RMB173.4 million profit arising from tourism operation and RMB435.3 million profit arising from property development and sales. Profit and Loss attributable to equity holders of the Company for the year ended 31 December 2018 included RMB260.3 million loss arising from tourism operation and RMB568.7 million profit arising from property development and sales.

REVENUE

Revenue by business function and business segment

	For the year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Resorts and destination operations	**11,413,388**	**65.8%**	10,467,885	64.3%
— Resorts	**10,045,083**	**57.9%**	9,696,020	59.6%
— Tourism destinations	**1,368,305**	**7.9%**	771,865	4.7%
Tourism-related property sales and construction services	**3,493,780**	**20.2%**	3,443,894	21.2%
— Resorts	**79,079**	**0.5%**	50,633	0.3%
— Tourism destinations	**3,414,701**	**19.7%**	3,393,261	20.9%
Tourism and leisure services and solutions	**2,592,089**	**15.0%**	2,404,490	14.8%
— Resorts	**2,388,538**	**13.8%**	2,270,360	14.0%
— Services and solutions in various tourism and leisure settings	**203,551**	**1.2%**	134,130	0.8%
Eliminations	**(162,088)**	**(1.0%)**	(46,450)	(0.3%)
Total revenue from contracts with customers	**17,337,169**	**100.0%**	16,269,819	100.0%

Our revenue increased by 6.6%, from RMB16,269.8 million for the year ended 31 December 2018 to RMB17,337.2 million for the year ended 31 December 2019, mainly driven by strong performance of our resorts and destination operations.

Resorts and Destination Operations: Resort and destination operation revenue increased by 9.0% from RMB10,476.9 million in the year ended 31 December 2018 to RMB11,413.4 million in the year ended 31 December 2019.

Resort revenue increased by 3.6% year-over-year, from RMB9,696.0 million to RMB10,045.1 million in 2018 to 2019, primarily driven by the increase in business volume by 5.2% compared with last year on a like-for-like basis. Business volume increase was primarily contributed by higher Average Daily Bed Rate benefited by our popularity on winter ski products and increased 4&5 Trident resorts capacities with our upscale strategies, partially offset by the ramp-up of increased capacities and closed resorts with limited capacity and aging facilities.

Operation of Atlantis Sanya posted revenue growth of 77.2% to RMB1,332.4 million in 2019, with both increase in room revenue with higher Average Daily Rate by Room and higher Occupancy Rate by Room and increase in other operating revenues generated from the Aquarium and the Waterpark and other services provided. Atlantis Sanya had its soft opening in February 2018 and official opening in April 2018 and recorded operation revenue of approximately RMB752.0 million in 2018.

Tourism-related property sales and construction services: Revenue increased by 1.4% year-over-year from RMB3,443.9 million in 2018 to RMB3,493.8 million in 2019. Revenue of tourism-related property sales mainly contributed from the delivery of property units in Tang Residence. During the Reporting Period, 204 pre-sold units in Tang Residence were delivered to customers and the contract liabilities of RMB3,433.6 million were recognized as revenue accordingly. We started to deliver the pre-sold of Tang Residence units in the second half year of 2018. As of 31 December 2019, the remaining pre-sold 2 apartments and 14 villas are available to be transferred when the ownerships are transferred subject to applicable laws and regulations.

Tourism and leisure services and solutions: Revenue of tourism and leisure services and solutions increased from RMB2,404.5 million to RMB2,592.1 million year-over-year, which is mainly contributed by increase in transportation services, other services and solutions related to our entertainment services, kid-playing activities and FOLIDAY platform.

COST OF REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN (GP MARGIN) BY BUSINESS FUNCTION[1]

Cost of revenue by business function

	For the year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Resorts and destination operations	**7,794,992**	**66.1%**	7,504,838	68.3%
Tourism-related property sales and construction services	**1,920,788**	**16.3%**	1,433,293	13.0%
Tourism and leisure services and solutions	**2,240,008**	**19.0%**	2,096,699	19.1%
Eliminations	**(157,344)**	**(1.4%)**	(41,059)	(0.4%)
Total	**11,798,444**	**100.0%**	10,993,771	100.0%

Cost of revenue increased by 7.3% from RMB10,993.8 million in 2018 to RMB11,798.4 million in 2019 year-over-year, which was in line with revenue growth.

Gross Profit and GP Margin by business function

	For the year ended 31 December			
	2019		2018	
	Gross Profit RMB'000	GP Margin %	Gross Profit RMB'000	GP Margin %
Resorts and destination operations	**3,618,396**	**31.7%**	2,963,047	28.3%
Tourism-related property sales and construction services	**1,572,992**	**45.0%**	2,010,601	58.4%
Tourism and leisure services and solutions	**352,081**	**13.6%**	307,791	12.8%
Eliminations	**(4,744)**	**N/A**	(5,391)	N/A
Total	**5,538,725**	**31.9%**	5,276,048	32.4%

Gross profit[1] in 2019 was RMB5,538.7 million compared with RMB5,276.0 million in 2018, up 5.0% year-over-year. Resorts and destination operation contributed incremental gross profit of RMB655.3 million, representing of 22.1% growth year-on-year, mainly due to strong performance of Club Med and RMB410.1 million incremental gross profit contributed by full year operation of Atlantis Sanya. Meanwhile, the gross profit of tourism related property sales and construction services decreased RMB437.6 million mainly due to lower margin of villa products than apartment products, and in 2019 we delivered more villa products comparing with that in 2018.

Gross profit margin of resorts and destination operation was 31.7% compared with 28.3% in the same period last year, primary due to (1) adoption of IFRS 16 decreased cost of revenue by RMB250.9 million, leading to gross profit margin increased by 2.2%; (2) high margin of Atlantis Sanya to be 45.9%. Gross profit margin of tourism-related property sales and construction services slightly decreased from 58.4% in 2018 to 45.0% in 2019, primary due to more delivery of pre-sold villa units of Tang Residence in 2019.

1 We adopted IFRS 16 *Leases* on 1 January 2019 with the modified retrospective method. As of 1 January 2019, total assets and total liabilities were cumulatively adjusted to increase by RMB7,907.1 million and RMB7,907.1 million respectively. Under IFRS 16, the cost of revenue decreased by RMB250.9 million, gross profit, adjusted EBITDA, operating profit, finance cost increased by RMB250.9 million, RMB1,294.6 million, RMB257.8 million, RMB433.0 million respectively and net profit decreased by RMB155.2 million for the year ended 31 December 2019, compared with the accounting treatment without adoption of IFRS16. Please refer to note 2.2 to financial statements for the detailed explanation of IFRS adoption.

OTHER (EXPENSES)/INCOME AND GAINS, NET

We had a net loss of RMB37.2 million in 2019 and a net gain of RMB42.8 million in the same period last year. The decrease was primarily due to one-off gains recognized in 2018 from the reversal of provisions for litigation and resort closure costs accrued in 2017. The reversal of provisions for litigation was made due to favourable rulings ending litigation in two matters with provisions made. The reversal of provisions for village closure was due to savings from anticipated costs for the planned closure of two villages including rent savings from early termination of leases.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses decreased by 2.7% from RMB2,291.7 million in 2018 to RMB2,230.9 million in 2019. The decrease mainly due to (i) after the pre-sale period of Tang Residence ended in 2018, selling and marketing expenses decreased about RMB33.6 million in 2019; (ii) advertising and promotion expenses for Atlantis Sanya decreased about RMB50.3 million mainly due to Atlantis Sanya no longer had opening ceremony related expenses in 2019; (iii) partially offset by increased commission on sales for resorts and destination operations paid to travel agencies due to increase of revenue.

GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expenses decreased by 6.7% from RMB1,285.3 million in 2018 to RMB1,199.4 million in 2019. The change was primarily due to one-off expenses incurred in 2018 including (i) preparation and organization cost of Atlantis Sanya of RMB67.3 million, (ii) expenses related to IPO in 2018 of RMB56.1 million, (iii) resort business expenses decreased by RMB43.3million year-over-year due to implemented cost control procedures, (iv) partially offset by increase of expenses of Lijiang, Taicang projects, tourism and leisure services and solutions during the ramp up period.

OPERATING PROFIT/(LOSS) BY SEGMENT

Our segment operating profit and loss increased RMB329.4 million from RMB1,741.8 million in 2018 to RMB2,071.2 million year-over-year.

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Resorts	**643,049**	**31.0%**	446,026	25.6%
Tourism destinations	**1,656,201**	**80.0%**	1,557,776	89.4%
Services and solutions in various tourism and leisure settings	**(63,676)**	**−3.1%**	(52,998)	−3.0%
Eliminations and unallocated expenses	**(164,349)**	**−7.9%**	(208,969)	−12.0%
Total	**2,071,225**	**100.0%**	1,741,835	100.0%

Resort: Operating profit increased from RMB446.0 million in 2018 to RMB643.0 million in 2019. Excluding the non-recurring operating items and IFRS 16 impact, the recurring operating profit was up 17.3% to a robust amount of RMB476.3 million, compared with RMB406.2 million in 2018, primarily due to the improved profitability of our resort operation. Non-recurring operating items of resort operation mainly included impairment and provisions, restructuring, gain/(loss) on the fair value change of investments measured at fair value through profit or loss, and disposal damage insurance.

Tourism destinations: Operating profit increased by RMB98.4 million from RMB1,557.8 million in 2018 to RMB1,656.2 million in 2019, representing an increase of 6.3% year-over-year. Increase of operating profit mainly due to (i) robust operation of Atlantis Sanya contributed incremental operating profit of RMB528.1 million, partially off-set by (ii) deliver of lower margin products mix of Tang Residence decreased by RMB382.5 million operating profit, and (iii) incremental operating expenses of RMB48.7 million for Taicang and Lijiang projects during the construction period.

Services and solutions in various tourism and leisure settings: Operating loss for the year ended 31 December 2019 was RMB63.7 million compared with operating loss of RMB53.0 million for the same period in 2018. The operating loss was mainly due to (i) ramp-up of online and offline travel agency leading to more cost and expenses than revenue expansion at the early stage, (ii) start-up costs in 2019 including the resident show C in Atlantis Sanya in February and two Miniveristy clubs in shopping malls in March.

FINANCE COSTS

Finance costs net of capitalized interest increased from RMB436.9 million in 2018 to RMB800.9 million in 2019. The increase of RMB364.0 was mainly due to (i) RMB433.0 million finance cost on lease liabilities with the implementation of IFRS 16, (ii) Finance cost of resort business decreased about RMB43.0 million due to the improvements of Club Med financial performance allowed us to successfully refinanced its debts with significant reduction in interest margin, (iii) Repayment of bridge loan before IPO decreased finance cost about RMB15.0 million. The interest rates of borrowings as at 31 December 2019 were approximately between 2.75% to 7.37%, as compared with approximately between 2.75% to 7.00% for the same period of last year.

INCOME TAX EXPENSE

Income tax expense was RMB698.4 million in 2019 compared with RMB904.3 million in the same period of 2018. The decrease in tax expenses was mainly due to land appreciation tax decreased by RMB230.9 million due to lower margin of Tang Residence products, partially offset by the incremental income tax expense generated from the profit position of Atlantis Sanya.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Chinese Mainland tax laws and regulations. Details of income tax expenses are set out in note 11 to financial statements.

NON-IFRS MEASURES

To supplement the presentation of our historical financial information with certain non-IFRS accounting measures including EBITDA, Adjusted EBITDA, and Adjusted Net Profit/(loss). We adjust EBITDA and net profit/(loss) to eliminate the effect of certain non-cash items and one-time events including the interest owed to related companies for reorganization, equity-settled share-based payments and listing expenses. These non-IFRS financial measures are used by our management to evaluate our financial performance by eliminating the impact of certain non-cash items and one-time events and help investors understand and evaluate the consolidated performance results of our underlying business across accounting periods. The specific definition and calculation of EBITDA and the other Non-IFRS accounting measures can differ from other companies, so such measures presented herein may not be comparable to similarly named measures presented by other companies. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

Adjusted EBITDA

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Income before income tax	**1,274,740**	1,293,388
Adjustment:		
Depreciation	**1,825,941**	654,454
Amortization	**117,438**	116,593
Finance costs	**800,886**	436,905
Land appreciation tax	**(357,790)**	(588,668)
EBITDA	**3,661,215**	1,912,672
Add:		
Equity-settled share-based payments	**68,147**	104,224
Listing expenses	**—**	56,142
Adjusted EBITDA[(1)(2)]	**3,729,362**	2,073,038
Arising from tourism operation[(3)]	**2,743,959**	883,200
Arising from property development and sales[(3)]	**985,403**	1,189,838

(1) With the adoption of IFRS 16, adjusted EBITDA increased by RMB1,294.6 million in 2019.

(2) Adjusted EBITDA for the year end 31 December 2018 included the preparation and operation costs of RMB187.2 million related to Atlantis Sanya before the official opening in April 2018.

(3) Unallocated expenses are allocated to adjusted EBITDA arising from tourism operation and tourism-related property sales by ratio.

Adjusted EBITDA

Adjusted EBITDA increased of RMB1,656.4 million from RMB2,073.0 million in 2018 to RMB3,729.4 million in 2019.

Adjusted EBITDA arising from tourism operation increased from RMB883.2 million in 2018 to RMB2,744.0 million in 2019. The adjusted EBITDA of resort operation increased to RMB2,273.4 million in 2019 from RMB1,025.7 million in 2018 mainly due to the improved profitability of resort operation and the impact of implementation of IFRS 16 which capitalizes the present value of the remaining lease payment as right-of-use assets and calculate depreciation instead of recording lease expenses in current period. Excluding the change of non-recurring operating items and IFRS 16 impact, the recurring adjusted EBITDA was up 9.1% year-over-year. Adjusted EBITDA of Atlantis Sanya operation was RMB564.8 million in 2019, compared to RMB53.2 million losses in 2018. Atlantis Sanya had officially opened on 29 April 2018. In 2018, Atlantis Sanya has RMB134.0 million Adjusted EBITDA generated from its operation, which is offset by RMB187.2 million of preparation and operation costs before its official opening.

The adjusted EBITDA of property sales in 2019 was RMB985.4 million, comparing with RMB1,189.8 million in the same period of 2018 mainly due to more villa of Tang Residence delivered in 2019 with lower margin.

Adjusted Net Profit

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net Profit	**576,293**	389,121
Add:		
Interest to related companies prior to reorganization[1]	—	30,190
Equity-settled share-based payments	**68,147**	104,224
Listing expenses	—	56,142
Adjusted Net Profit[2][3]	**644,440**	579,677

Notes:

(1) Interest to related companies included the interest on convertible bonds and convertible redeemable preferred shares of Fidelidade which was settled in May 2018.

(2) Adjusted Net Profit for the year ended 31 December 2018 included the preparation and operation costs of RMB187.2 million related to Atlantis Sanya before the official opening in April 2018.

(3) With the adoption of IFRS 16, adjusted net profit decreased by RMB155.2 million for the year ended 31 December 2019.

CAPITAL EXPENDITURES

Our major capital expenditures primarily consist of expenditures to land use rights and property, plant and equipment. We funded our capital expenditures from our internal resources, proceeds from share offerings, bank borrowings, finance leases, and related company loans. The amount of capital expenditures of the Group for the year ended 31 December 2018 and 2019 was RMB2,788.2 million and RMB1,294.3 million, respectively. The capital expenditures incurred in 2018 mainly included the capital expenditure for Atlantis Sanya which is completed in 2018 and prepaid land lease payments of Taicang project. The capital expenditure incurred in 2019 mainly related to capital expenditures in tourism destination projects in Lijiang and Taicang, upgrade or renovation of existing resorts, and investments in digital technology.

INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES OF THE GROUP

Our Group funds our investments and operations principally with cash generated from our operations, bank and other borrowings, funds raised from the capital market, related party borrowings and capital investments by our Controlling Shareholders.

Our indebtedness included interest-bearing bank borrowings, convertible bonds, convertible redeemable preferred shares, finance lease payable and lease liabilities. As of 31 December 2019, the debt of the Group was RMB15,919.6 million, excluding the adoption impact of IFRS 16, which increased lease liabilities of RMB9,032.0 million, the debt without IFRS 16 adoption was RMB6,887.7 million, representing an increase from RMB6,000.0 million as at 31 December 2018.

As at 31 December 2019, borrowings[1] of the Group over one year accounted for 70.3% of the total borrowings, as opposed to 87.3% as at 31 December 2018. As at 31 December 2019, cash and cash equivalents increased by 13.5% to RMB2,128.7 million as compared with RMB1,875.0 million as at 31 December 2018, reflecting our improved financing structure.

[1] Borrowings included interest-bearing bank borrowings, convertible bonds, convertible redeemable preferred shares, and finance lease payables.

As of 31 December 2019, Our available banking facilities in 2019 amounted to RMB10,688.6 million in total, of which RMB2,542.6 million has not been utilized.

The original denomination of the Group's borrowings[1] as well as cash and cash equivalents by currencies, equivalent in RMB, as at 31 December 2019, is summarized as follows:

Borrowings[1]

	For the years ended 31 December 2019 RMB'000	%
EUR	**3,608,564**	**52.4%**
RMB	**2,793,542**	**40.6%**
USD	**485,544**	**7.0%**
GBP	**0**	**0.0%**

Cash and cash equivalents

	For the years ended 31 December 2019 RMB'000	%
RMB	**1,148,611**	**54.0%**
BRL	**229,316**	**10.8%**
HKD	**149,133**	**7.0%**
EUR	**148,405**	**7.0%**
USD	**103,935**	**4.9%**
Others	**349,277**	**16.3%**

To stabilize interest expenses, Our Group endeavored to maintain appropriate borrowings at fixed interest rates and floating interest rates. We made timely adjustment to the debt structure according to the interest rate policy, seeking to optimize the interest rate level. As at 31 December 2019, 20.5% of the Group's total borrowings bore interest at a fixed interest rate.

Our loan agreements may also include material financial covenants. Furthermore, we may be required to provide additional guarantees upon the lending banks' request if any changes in our guarantor adversely affect the guarantee granted by the guarantor to the lending banks. Our Directors confirm that we complied with all material covenants under our loan agreements during the Reporting Period and up to 31 December 2019.

THE MATURITY PROFILE OF OUTSTANDING BORROWINGS

The Group sought to manage and extend the maturity of outstanding borrowings, so as to ensure that the outstanding borrowings of the Group due to mature every year would not exceed the expected cash flow of that year and the Group has the re-financing ability for the relevant liabilities in that year.

Outstanding borrowings classified by year of maturity as at 31 December 2019 are as follows: 31.1% of the outstanding borrowings is within one year, 13.1% of that is in the second year and 46.3% of that is in the third to fifth year, including 9.5% of that is over five years.

(1) Borrowings included interest-bearing bank borrowings, convertible bonds, convertible redeemable preferred shares, and finance lease payables.

CAPITAL STRUCTURE

The Company continued to maintain a healthy and sound financial position. Our total assets increased from RMB29,532.3 million as of 31 December 2018 to RMB36,802.9 million as of 31 December 2019, and our total liabilities increased from RMB21,217.1 million as of 31 December 2018 to RMB28,373.0 million as of 31 December 2019.

Our current ratio maintained 0.7 as of 31 December 2018 and 2019. Our gearing ratio, which equals net indebtedness as a percentage of total assets, increased from 14.0% as of 31 December 2018 to 37.5% as of 31 December 2019 primarily due to increase in lease liability after the implementation of IFRS 16. Gearing ratio without accounting treatment of IFRS 16 would be 16.9% as of 31 December 2019.

The Group monitors capital using a gearing ratio, which is net indebtedness divided by the total assets. Net indebtedness includes interest-bearing bank borrowings, finance lease payables, lease liabilities, convertible bonds and convertible redeemable preference shares, less cash and cash equivalents.

PLEDGED ASSETS

As at 31 December 2019, the Group had pledged assets of RMB5,668.0million (31 December 2018: RMB6,021.8 million) for bank borrowings. The decrease mainly due to the completed properties for sales of Tang Residence transferred to our customers therefore the corresponding assets pledge released. Details of pledged assets are set out in note 31 to financial statements.

CASH FLOW

As of 31 December 2019, we had cash and cash equivalents of approximately RMB2,128.7 million. The following table sets out our cash flows for the periods indicated:

	2019 **RMB'000**	2018 RMB'000
Net cash flows generated from operating activities	**2,594,725**	637,090
Net cash flows used in investing activities	**(1,520,123)**	(3,050,687)
Net cash flows from/(used in) financing activities	**(828,818)**	3,277,828
Cash and cash equivalents at end of the year	**2,128,677**	1,874,998

Cash flows generated from operating activities

Our net cash generated from operating activities of RMB2,594.7[1] million for the year ended 31 December 2019, reflects our profit before income tax of RMB1,274.7 million, as adjusted by (A) the adding back of certain non-cash or non-operating items such as depreciation and amortization of RMB1,943.4 million, interest expenses of RMB800.9 million, and Equity-settled share-based payment RMB68.1 million; (B) changes in working capital including (i) an increase in other payables and accruals of RMB594.8 million, mainly reflecting the winter seasonal increase of advances from customers, (ii) a decrease of restricted cash of RMB278.1 million mainly due to the bank deposits decreased for construction of Atlantis Sanya and Tang Residence while almost completion of the construction, and (iii) an decrease in trade receivables of RMB105.4 million mainly due to receivables collection of Tang Residence; which were partially offset by (i) a net impact of the decrease in contract liabilities, property under development and completed properties for sale of RMB1,891.5 million, mainly due to the delivery of Tang Residence units, and (C) income tax paid of RMB512.8 million.

1 With the adoption of IFRS 16, cash flow generated from operating activities increased of RMB1,272.4 million and cash flow used in financing activities also increased of RMB1,272.4 million for year ended 31 December 2019, mainly due to the lease payment reclassified from operating cash flow to financing cash flow.

Cash flows used in investing activities

For the year ended 31 December 2019, our net cash used in investing activities of RMB1,520.1 million, primarily reflects (i) RMB974.6 million in purchases of property, plant, and equipment items, mainly for capital expenditures in tourism destination projects, upgrade or renovation of existing resorts, and investments in digital technology, (ii) RMB308.1 million in purchases of financial assets at fair value through other comprehensive income and through profit and loss, and (iii) RMB319.7million in purchases of intangible assets, mainly for investments in Thomas Cook brand, software and IT solutions.

Cash flows used in financing activities

For the year ended 31 December 2019, our net cash used in financing activities of RMB828.8 million, primarily reflects (i) payment of lease liabilities of RMB1,272.4 million; (ii) interest payment of RMB302.2 million, (iii) Redemption of convertible bonds and preference shares of RMB264.2 million, and (iv) dividend payment of RMB107.1 million, partially offset by net increase of bank loans of RMB1,119.4 million, which mainly includes we aggregately obtained bank loans of RMB3,486.9 million and repaid RMB2,367.5 million.

Net current assets/(liabilities)

Our current assets consist principally of prepayments, deposits and other receivables; amounts due from related companies; financial assets at fair value through profit or loss; cash and cash equivalents; and properties under development and completed properties for sale. The key components of our current liabilities are accrued liabilities and other payables, contract liabilities, amounts due to related companies, trade payables, interest-bearing bank borrowings, and lease liabilities.

As of 31 December 2019, the total current assets was RMB8,660.0 million and the total current liabilities was RMB12,385.6 million. Our net current liabilities of RMB3,725.7 million as at 31 December 2019 were mainly the result of three factors.

(i) We temporarily acquired part of our long-term assets for new tourism destination projects with current liabilities. In 2019, we have obtained long term loans related to Lijiang project at the end of 2019 and expect to further optimize our financial structure with additional long term proceeds subsequently. (ii) The pre-sale of Tang Residence units and service obligation to provide the tourism operation services after receiving consideration from customers, which generated large amounts of current liabilities in the form of contract liabilities. The contract liabilities was RMB1,175.5 million as of 31 December 2019. When physical possession of the pre-sold Tang Residence units are transferred to their buyers and tourism operation services under the contract are rendered in 2020 and thereafter, the corresponding contract liabilities will be fully satisfied. The satisfaction of such contract liabilities does not require payment of cash by us. (iii) Adoption of IFRS 16 increased current lease liabilities of RMB864.4 million, which are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. Adoption of IFRS 16 only changed the accounting method of our lease contracts, the lease payment obligations and terms are the same as before, no additional contractual liabilities created after the adoption of the new IFRS.

We believe we have sufficient resources such as cash and cash equivalents, cash flow generated from operations, and available banking facilities to fund our future business.

LONG-TERM INVESTMENT MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In December 2018 and 2019, our long-term investments measured at fair value through other comprehensive income were RMB309.4 million and nil, respectively. On 29 June 2018, we have acquired 5.37% equity interest in Thomas Cook Group plc ("TCG") from Fosun International Group, then acquired 1.2% and 4.81% additional shares of Thomas Cook through the secondary market of the London Stock Exchange in 2018 and 2019, respectively. We held 11.38% (174,740,358 shares) of Thomas Cook's outstanding shares with investment cost of RMB1,132.1 million (GBP123.7 million). We fund this investment principally with cash generated from our operations. We recorded RMB605.4 million loss and RMB272.2 million loss through other comprehensive income in the year ended 31 December 2018 and six months ended 30 June 2019. In September 2019, Thomas Cook has announced an application to the High Court for a compulsory liquidation. We further recorded RMB254.5 million loss through other comprehensive income subsequently and the carrying amount as of 31 December 2019 was nil.

CONTINGENT LIABILITIES

During the Reporting Period, we provided guarantees mainly in favor of certain customers in respect of mortgage loans provided by banks to these customers for their purchases of developed properties where the underlying real estate certificates can only be provided to the banks in a time delayed manner due to PRC administrative procedures. These guarantees provided will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks. In case of a default in payments, the net realizable value of the relevant properties can cover the outstanding mortgage principal together with the accrued interest and penalties and therefore we made no provision for such guarantees.

The Group's contingent liabilities were RMB420.4 million as at 31 December 2019 comparing with RMB426.1 million as at 31 December 2018. Details of contingent liabilities are set out in note 46 to financial statements.

EXCHANGE RATE FLUCTUATION

The Group has resorts and commercial operations in over 40 countries and regions which are exposed to foreign exchange risk arising from various currency exposures. Major currencies for our commercial transaction included the Euro, U.S. dollar, British Pound, Hong Kong dollar and Canadian dollar. We engage in hedging transactions to limit the impact of changes in interest rates, indebtedness and the effects of changes in foreign exchange rates on commercial operation and to reduce our exposure to market volatility. For the year ended 31 December 2018 and 2019, we recorded foreign exchange loss of RMB2.6 million and gain of RMB38.9 million respectively in other (expenses)/income and gains, net. In addition, for the years ended 31 December 2018 and 2019 we recorded loss of RMB35.1 million and loss of RMB28.1 million exchange difference on translation of foreign operations in exchange reserve in other comprehensive income, respectively.

FINANCE POLICIES AND RISK MANAGEMENT

We are exposed to various types of financial risks, including market risk (covering currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risks. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Below is a summary of our approach to managing various types of financial risks. More details are set out in note 50 to financial statements.

Market risk

CURRENCY RISK

We operate resorts all over the world and are exposed to the risk of fluctuations in foreign exchange rates. We have transactional currency exposures arising from the sales or purchases by operating entities and investing and financing activities by investment holding entities in currencies other than such entities' functional currencies. The major subsidiaries exposed to such currency risks use EUR or CNY as their functional currencies. We use forward currency contracts and currency swaps to hedge against the transaction currency risk arising from the future sales cash flows denominated in a currency other than the functional currency of the selling entities within our Group. The balances of the forward currency contracts and currency swaps vary with the levels of expected foreign currency transactions and changes in foreign exchange forward rates. We also use currency swaps to hedge against the currency risk on the fair value of intercompany financing denominated in a currency other than the functional currency of the borrowing entities within our Group. The hedge of the currency swaps was assessed to be effective as of 31 December 2019.

INTEREST RATE RISK

Our exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Our policy is to manage interest cost using a mix of fixed and variable rate debts. At 31 December 2019 and 31 December 2018, approximately 20.5% and 34.2% of the Group's interest-bearing borrowings bore interest at fixed rates after hedging, respectively.

We also carried out hedging activities by entering into interest rate swap on certain variable rate debts. In interest rate swaps, we receive interest at variable rates and pay interest at fixed rates are designated as hedging instruments in respect of forecast future interest expenses on interest-floating borrowings to which we have firm commitments. The balances of the interest rate swaps vary with the terms and principal amount of the interest-floating borrowings and changes in variable rates which are generally based on the Europe Interbank Offered Rate. In addition, we have entered into interest rate swaptions to manage interest rate exposures on borrowings. These interest rate swaptions are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate derivatives were charged to the consolidated statement of profit or loss.

In order to exercise prudent management against interest rate risks, we continue to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

Credit risk

We have no significant concentration of credit risk due to the large number of our customers. The carrying amounts of cash and cash equivalents, trade receivables, contract assets, deposits and other receivables, and amounts due from related parties included in our statements of financial position represent our maximum exposure to credit risk in relation to our financial assets.

As at 31 December 2019 and 2018, all restricted cash and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The liquidity of our Group is primarily dependent on our ability to maintain adequate cash inflows from operations to meet debt obligations as they fall due and our ability to obtain external financing to meet committed future capital expenditures. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans and other borrowings, amounts due to related companies, convertible bonds and convertible redeemable preferred shares. Our policy is to regularly monitor current and expected liquidity requirements by preparing and reviewing monthly cash flow forecasts and our compliance with lending covenants to ensure that we maintain sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

The primary objectives of our Group's capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. We manage our capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

Hedging measures

We operate business all over the world and are exposed to the risk of fluctuations in foreign exchange rates. To manage exposure to foreign exchange rate fluctuations, we engage in forward currency contracts and currency swaps with third parties to mitigate the transaction currency risk arising from future cash flows denominated in currencies other than functional currencies. The balances of the forward currency contracts and currency swaps vary with the levels of expected foreign currency transactions and changes in foreign exchange forward rates. The terms of the above hedging instruments seek to match the expected highly probable forecast transactions. We also engage in currency swaps which are designated as hedging instruments in respect of the currency risk on intercompany financings denominated in a currency other than the functional currency of the lending entities within the Group.

To manage our exposure to the risk of changes in the market interest rates from primarily long-term debt obligations with floating interest rates, we carry out hedging activities by entering into interest rate swaps on certain variable rate debts. More details are set out in note 29 to financial statements. Our management believes the risk of default under these hedging contracts is remote and, in any event, would not be material to the consolidated financial results. We do not utilize derivative financial instruments for speculative purposes.

RECENT DEVELOPMENT OF THE COMPANY

Recent development of the Company is set out in note 51 to financial statements and the "Business Overview" in this annual report.

PROPOSED FINAL DIVIDEND

On 19 August 2019, the Board declared an interim dividend of HKD0.07 (six months ended 30 June 2018: Nil) per ordinary share, amounting to a total of approximately HKD86.3 million (equivalent to approximately RMB77.9 million).

On 17 March 2020, the Board declared a final dividend for the year ended 31 December 2019 (the "Final Dividend") of HK$0.02 (year ended 31 December 2018: nil) per ordinary share, amounting to a total of approximately HKD24.7 million (equivalent to approximately RMB22.2 million).

FORWARD-LOOKING STATEMENTS

This annual report includes certain forward-looking statements which involve the financial conditions, results and businesses of the Group. These forward-looking statements are the Group's expectation or beliefs on future events and they involve known and unknown risks and uncertainties, which may cause actual results, performance or development of the situation to differ materially from the situation expressed or implied by these statements.

FIVE-YEAR STATISTICS

Year	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Group Business Volume	**14,595,046**	13,399,105	11,832,354	11,433,907	9,280,445
Resort Business Volume	**13,205,612**	12,633,429	11,699,365	10,873,234	9,280,445
Revenue	**17,337,169**	16,269,819	11,799,394	10,782,975	8,902,569
Gross profit[(1)]	**5,538,725**	5,276,048	2,830,349	2,540,798	2,067,872
Operating profit/(loss)[(1)]	**2,071,225**	1,741,835	73,389	63,130	(376,206)
Profit/(Loss) for the year[(1)]	**576,293**	389,121	(294,996)	(472,557)	(953,699)
Profit/(loss) attributable to equity holders of the Company[(1)]	**608,722**	308,441	(196,502)	(350,212)	(630,952)
EBITDA[(1)]	**3,661,215**	1,912,672	746,313	630,278	2,437
Adjusted EBITDA[(1)]	**3,729,362**	2,073,038	746,313	630,278	182,106
Adjusted net profit/(loss)[(1)]	**644,440**	579,677	(189,095)	(223,082)	(551,610)
Total equity	**8,429,876**	8,315,198	4,547,489	1,165,773	(675,645)
Equity attributable to owners of the parent	**8,129,563**	8,037,040	4,617,490	1,050,130	(815,498)
Indebtedness[(2)]	**15,919,640**	6,000,015	7,474,913	6,481,227	5,046,478
Cash and bank balances	**2,128,677**	1,874,998	989,723	1,323,469	525,106
Property, plant and equipment	**10,623,796**	10,153,134	9,712,461	8,031,696	6,582,063
Intangible assets	**2,756,705**	2,624,720	2,525,089	2,320,371	2,239,749
Property under development	**1,937,842**	2,170,618	2,920,158	1,709,717	1,434,369
Prepaid land lease payments	**—**	1,339,883	832,732	845,645	867,658
Contract liabilities	**1,175,498**	4,434,605	6,573,325	1,719,908	504,994
Current ratio	**0.7**	0.7	0.8	0.7	0.5
Gearing ratio[(1)]	**37.5%**	14.0%	22.1%	26.3%	27.7%
Adjusted EBITDA margin[(1)]	**21.5%**	12.7%	6.3%	5.8%	2.0%

Notes:

(1) We adopted IFRS 16 Leases on 1 January 2019 with the modified retrospective method. Under IFRS 16, the cost of revenue was decreased by RMB250.9 million, gross profit, adjusted EBITDA, operating profit were increased by RMB250.9 million, RMB1,294.6 million, RMB257.8 million, both net profit and net profit attributable to equity holders of the Company were decreased by RMB155.2 million respectively for the year ended 31 December 2019, compared with the accounting treatment without adoption of IFRS16. Excluding the adoption impact of IFRS 16, gearing ratio would be 16.9% and adjusted EBITDA margin leveraged to 14.0% as of 31 December 2019. Please refer to note 2.2 to financial statements for the detailed explanation of IFRS adoption.

(2) Our indebtedness included interest-bearing bank borrowings, convertible bonds, convertible redeemable preferred shares, finance lease payable and lease liabilities.

The Board is pleased to present the corporate governance report of the Group for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance its corporate value and accountability.

During the Reporting Period, the Company applied the principles of and fully complied with the code provisions as set out in the CG Code except for the following deviation from provision A.2.1 of the CG Code. The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

Mr. Qian Jiannong is the Chairman of the Board and the Chief Executive Officer of the Company

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company considers that having Mr. Qian Jiannong acting as both the Chairman and Chief Executive Officer will provide a strong and consistent leadership to the Company and allow for more effective planning and management which is in the best interests of the Company. Taking into account all the corporate governance measures that the Company has implemented after Listing, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, which is beneficial to the business prospects of the Group. Therefore, the Company currently does not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman of the Board and the Chief Executive Officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

A. THE BOARD

a) Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the interests of the Company and its shareholders at all times.

b) Delegation of Management Function

The Board takes responsibility for all major matters of the Company including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflicts of interest), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information to ensure that Board procedures and all applicable rules and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management by the Board. The delegated functions and work tasks are periodically reviewed. Under the leadership of the Chief Executive Officer, the management is responsible for the daily operation of the Company.

On a monthly basis, the senior management provides the Directors with operational and financial reports of the Group's performance, position and prospects. The Board considered the monthly reports given by the senior management to the Directors are sufficient to enable the Directors to discharge their duties. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's businesses in a timely manner.

c) Board Composition

The Board for the year ended 31 December 2019 comprised the following Directors:

Executive Directors
Mr. Qian Jiannong *(Chairman and Chief Executive Officer)*
Mr. Henri Giscard d'Estaing *(Vice Chairman and Deputy Chief Executive Officer)*
Mr. Wang Wenping *(Vice President and Chief Financial Officer)*

Non-executive Director
Mr. Wang Can[(1)]

Independent Non-executive Directors
Dr. Allan Zeman
Mr. Guo Yongqing
Ms. Katherine Rong Xin

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. There is no financial, business, family or other material/ relevant relationship among the Directors. Biographical details, including offices held in public companies or organisations and other significant commitments, of the Directors are set out in the section "Biographical Details of Directors and Senior Management" of this annual report.

The Board has assessed the independence of all the independent non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company, and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement. Throughout the Reporting Period, the number of independent non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, and serving on Board committees, all independent non-executive Directors have made various positive contributions to the development of the Company.

d) Appointment and Re-election of Directors

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee of the Company is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of Mr. Qian Jiannong and Mr. Wang Wenping, being executive Directors, has entered into a service contract with the Company on 19 November 2018, and Mr. Henri Giscard d'Estaing, the executive Director, entered into a service contract with the Company on 4 September 2018. Each service contract is for an initial term of three years commencing from the Listing Date.

Each of Mr. Wang Can, being our non-executive Director, Dr. Allan Zeman, Mr. Guo Yongqing and Ms. Katherine Rong Xin, being our independent non-executive Directors, has entered into a letter of appointment with our Company on 19 November 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date.

At every annual general meeting, at least one-third of the Directors' shall retire from office by rotation. All Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following general meeting after appointment.

According to the board diversity policy of the Company, all Directors' appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Mr. Wang Can has resigned as non-executive Director of the Company with effect from 21 January 2020.

e) Continuous Professional Development of Directors

Each newly appointed Director receives comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Continuing briefing and professional development for Directors will be arranged whenever necessary.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internal briefings for Directors will be arranged by the Company and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company has arranged e-training course for the Directors. On the other hand, Directors have provided records of the trainings they received to the Company. The Board considered the trainings attended by the Directors are sufficient to discharge their duties. A summary of the trainings attended by the Directors during the Reporting Period is as follows:

	Training Matters	
Name of Directors	**Legal and Regulatory**	**Corporate Governance**
Executive Directors		
Mr. Qian Jiannong	✓	✓
Mr. Henri Giscard d'Estaing	✓	✓
Mr. Wang Wenping	✓	✓
Non-Executive Director		
Mr. Wang Can[1]	✓	✓
Independent Non-Executive Directors		
Dr. Allan Zeman	✓	✓
Mr. Guo Yongqing	✓	✓
Ms. Katherine Rong Xin	✓	✓

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

f) Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and approve future strategy. The Board held four regular Board meetings during the Reporting Period. In respect of corporate governance matters, the Board reviewed, among others, policies on corporate governance, code of conduct and the Company's policies and practices on compliance with legal and regulatory requirements in regular meetings. The attendance records of each Director are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

g) Practice and Conduct of Board Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings (or such other period as agreed). For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting (or such other period as agreed) to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior managements, where necessary, attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The agenda of each Board meeting is set by the Chairman in consultation with members of the Board such that they are given an opportunity to include agenda items, draft and executed Board minutes were sent in a timely manner to all Directors for their comments and records, minutes of the Board meetings recorded in sufficient details were kept by the Company Secretary.

h) Directors and Officers Liability Insurance

The Company has arranged the directors and officers liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, the posts of Chairman and Chief Executive Officer are held by Mr. Qian Jiannong and Mr. Henri Giscard d'Estaing held the posts of Vice Chairman and Deputy Chief Executive Officer. With the assistance of the Vice Chairman and Deputy Chief Executive Officer, the segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business operations. Their respective responsibilities are clearly established and set out in writing.

The Chairman's job responsibilities are to ensure all Directors are informed of the matters to be resolved or discussed in the Board meetings; to ensure that Directors receive adequate information in a timely manner, and the relevant information is accurate, detail, complete and reliable; to lead the Board; to ensure the Board operates effectively, performs its duties, and discusses all important and appropriate matters in a timely manner; to be primarily responsible to decide and approve the agenda of each Board meeting and add other items into the agenda upon request from other Directors (where applicable), this responsibility can be delegated to other Directors or the Company Secretary; to ensure the Company to adopt a sound corporate governance code and procedure; to encourage all Directors devoting themselves to the Board's matters and to ensure the Board acts in the best interest of the Company by making himself an example; to encourage Directors with different opinions to express their concerns and give adequate time to discuss and to ensure the decisions of the Board reflect consensus of the Board; to meet with the independent non-executive Directors at least once annually, without the presence of other Directors; to ensure appropriate procedures to keep effective communication with the shareholders and to ensure shareholders' opinions are delivered to the whole Board; to promote open and positive culture to discuss, to promote Directors (especially non-executive Directors) to make effective contribution to the Board, and to ensure constructive relationship between executive Directors and non-executive Directors.

The Chief Executive Officer's job responsibilities are to lead the management to operate the daily business of the Group in line with the business plan and budget approved by the Board; to lead the management to ensure an efficient co-operation relationship with the Chairman and the Board and to meet or communicate with the Chairman regularly to review the key development, matters, opportunities and concerns; to establish and give advice on the Group's strategy and policy for the Board's consideration; to implement the strategy and policy approved by the Board or Board Committees and achieve the goal of the Group with the assistance of the management; to continuously discuss with the Chairman on those key and fundamental topics and to ensure the Board to be informed of those topics; to ensure the management to provide report to the Board in priority, including appropriate, accurate, timely and clear material to assist the Board in performing its responsibilities; to ensure the Board (especially the Chairman) to notice the complicated, controversial and sensitive matters of the Group in advance; to lead the communication plan with the equity holders (including shareholders); and to direct the Group's business in line with the common practice and procedures adopted by the Board, to encourage the Group to maintain the highest integrity, justice and corporate governance level.

C. BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee and Environmental, Social and Governance Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company were established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.fosunholiday.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each Board committee (except the Strategy Committee) are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties, and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Guo Yongqing (Chairman) and Ms. Katherine Rong Xin and one non-executive Director namely Mr. Wang Can(1). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or external auditors before submission to the Board;

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control system (including ensuring the adequacy of resources, qualification and experience of staff of the Company's accounting, internal audit and financial reporting function, their training programmes and budget) and associated procedures.

The Audit Committee held two meetings during the Reporting Period to review, among others, the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, appointment and scope of work of external auditors. The attendance records of each member of the Audit Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS"

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Katherine Rong Xin (Chairman) and Mr. Guo Yongqing and one executive Director, namely Mr. Wang Wenping.

The primary work of the Remuneration Committee includes making recommendations to the Board on the remuneration packages of individual executive Directors and senior management after assessing their performance, as well as on the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her close associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee also reviews and approves compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive. Moreover, the Remuneration Committee reviews and approves compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate and ensures that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee held two meetings during the Reporting Period to review and make recommendations to the Board on, among others, the remuneration policy and structure of the Company, the remuneration packages and terms of service contracts of the Directors and senior management with reference to the Board's corporate goals and objectives, their merits and contributions, 2019 Share Option Scheme, 2019 Share Award Plan and other related matters. The attendance records of each member of the Remuneration Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS"

Nomination Committee

The Nomination Committee comprises three members, including one executive Directors, namely Mr. Qian Jiannong (Chairman) and two independent non-executive Directors, namely Dr. Allan Zeman and Ms. Katherine Rong Xin.

The main duties of the Nomination Committee include the following:

- To review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- To identify individuals suitably qualified to become Board members and nominate and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- To assess the independence of independent non-executive Directors; and

- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's board diversity policy, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee held one meeting during the Reporting Period to review the structure, size, composition and diversity of the Board, the independence of the independent non-executive Directors and make recommendations to the Board in relation to the re-appointment of retiring Directors at the 2019 annual general meeting. The attendance records of each member of the Nomination Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

Strategy Committee

The Strategy Committee comprises three members, including two executive Directors, namely Mr. Qian Jiannong (Chairman) and Mr. Henri Giscard d'Estaing and one independent non-executive Director, namely Dr. Allan Zeman.

The main duties of the Strategy Committee include the following:

- To consider and make recommendations on the Company's mid and long-term strategies;
- To consider and make recommendations to the Board on significant investments and financial proposals which are subject to the approval by the Board meeting or the shareholders' meeting pursuant to the Articles or other applicable laws, rules and regulations of the Company;
- To consider and make recommendations on other significant matters which will affect the development of the Company;
- To inspect and evaluate the implementation of the above matters; and
- To make timely recommendations for adjustment and to deal in any other matters delegated by the Board from time to time.

The Strategy Committee held one meeting during the Reporting Period to review the strategy and highlights of the Group in 2018 and to discuss the strategy of the Group for 2019 to 2021. The attendance records of each member of the Strategy Committee are set out below in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee on 27 November 2019, comprising three Directors, namely two independent non-executive Directors, namely Mr. Guo Yongqing (Chairman) and Ms. Katherine Rong Xin and one executive Director, namely Mr. Wang Wenping.

The Environmental, Social and Governance Committee was established to assist the Board in providing direction on and overseeing the development and implementation of the environmental, social and governance ("ESG") initiatives of the Group. The main duties of the Environmental, Social and Governance Committee include the following:

- To review, formulate and adopt the ESG vision, objectives and strategies of the Group;
- To supervise, review, evaluate and report back to the Board on the ESG performance; and
- To identify, assess and manage important issues related to ESG.

The background for the establishment of the Environmental, Social and Governance Committee in 2019 is to cooperate with the Stock Exchange to strengthen the ESG disclosure consultation. It was established to supervise the ESG disclosure requirements thereon. As the disclosure of ESG report for the year 2019 has already been launched when the committee was established, so no separate meeting was held during 2019.

Board Diversity Policy

The Company recognizes and embraces the benefit of having a diverse board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage and achieving long-term sustainable growth for the Group. According to the board diversity policy of the Company, all Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The said elements have substantially been included in the current Board composition.

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings, and annual general meeting and extraordinary general meeting of the Company held for the year of 2019 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Qian Jiannong	4/4	—	—	1/1	1/1	1/1	1/1
Henri Giscard d'Estaing	4/4	—	—	—	1/1	1/1	1/1
Wang Wenping	4/4	—	2/2	—	—	1/1	1/1
Non-Executive Director							
Wang Can(1)	4/4	2/2	—	—	—	1/1	1/1
Independent Non-Executive Directors							
Allan Zeman	4/4	—	—	1/1	1/1	1/1	1/1
Guo Yongqing	4/4	2/2	2/2	—	—	1/1	1/1
Katherine Rong Xin	4/4	2/2	2/2	1/1	—	1/1	1/1

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

E. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period. The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the above-mentioned written guidelines by the relevant employees of the Company was noted by the Company.

F. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced and clear assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

G. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of Ernst & Young, the external auditors of the Company, about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" of this annual report.

During the Reporting Period, the remuneration paid to Ernst & Young, the external auditors of the Company, in respect of professional audit services, amounted to RMB3.9 million and no significant non-audit services were provided by Ernst & Young to the Company.

H. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating, determining and managing the nature and extent of the risks it is willing to take rather than eliminate risks of failure in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems efficiently, and the management provides a confirmation to the Board on the effectiveness of these systems. The Company identifies, evaluates and monitors significant risks faced by the Company and builds up its risk management and internal control system, taking into consideration (i) the findings of internal audits and issues revealed during operation and management, (ii) audit findings of external auditors to achieve the goal of risk control, (iii) the changes, since the last review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (iv) the scope and quality of management's ongoing monitoring of risks and of the internal control systems and the work of the internal audit function, (v) the extent and frequency of communication of monitoring results to the Board or the Audit Committee which enables it to assess control of the Company and the effectiveness of risk management; (vi) significant control failings or weaknesses that have been identified during the period as well as the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and (vii) the effectiveness of the Company's processes for financial reporting and regulatory compliance. Such significant risks include decision-making risks of operation, financial control risks, and the risks arising from changes in business environment. Furthermore, procedures including preclearance on dealing in the Shares, notification of regular blackout and securities dealing restrictions to relevant Directors and employees and dissemination of information on a need-to-know basis have been implemented by the Group to help ensure proper handling of inside information within the Group. We reviewed the risk management and internal control systems of the Company on a regular and ad hoc basis.

The risk management department of the Company conducts independent evaluation on the effectiveness of the existing risk management and internal control system according to the audit strategy and annual audit plan of the Company. It is also responsible for monitoring the stable and proper operation and improvement of the risk management and internal control system. Audit findings of the Company are reported to the Board and the management, and the management oversees the implementation of any remedial and improvement measures to be taken. After following up and checking, such measures have been taken as expected.

During the Reporting Period, the Board has reviewed the effectiveness of the risk management and internal control system of the Group. The Company continued to improve the standardization and systematic development of the internal control system, covering the functions of financial control, operational control, compliance control and risk management. The risk management department of the Company has carried out independent internal control audits in respect of significant risk areas and has reported to the Directors regularly in respect of the effectiveness of the risk management and internal control system and significant risks. The boards of directors of the subsidiaries have submitted evaluation reports to the Company on the effectiveness of the risk management and internal control systems. The Company considers that its risk management and internal control system are effective and adequate.

I. COMPANY SECRETARY

Ms. Leung Ching Ching has been the Company Secretary of the Company since 28 June 2019. Ms. Leung Ching Ching is a Senior Manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Wang Wenping, executive Director, the chief financial officer and vice president has been designated as the primary contact person at the Company which would work and communicate with Ms. Leung Ching Ching on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Period, Ms. Leung Ching Ching has received no less than 15 hours of relevant professional training to refresh her skills and knowledge in compliance with Rules 3.20 of the Listing Rules.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The Group delivers its most updated information through announcements made on the Hong Kong Stock Exchange's website, communication with analysts, meetings with investors, maintenance of the website of the Company concerning investor relations, dissemination of investor's newsletter and public forum.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman as well as the Chairman of the Audit, Remuneration, Nomination and Strategy Committees and, in their absence, other members of the respective committees and, where applicable, the Chairman of the independent Board committee, are available to answer questions at general meetings.

There are no changes in the Memorandum and Articles of Association during the Reporting Period. The up-to-date version of the Memorandum and Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

The Company endeavors to distribute material information about the Group to the public. To promote effective communication, the Company maintains a website at www.fosunholiday.com, where information and updates on the Company's business developments and operations, financial information and other information are available to the public.

A shareholders' communication policy for enhancement of the corporate governance had been established and the Board had reviewed the shareholders' communication policy during the Reporting Period.

K. DIVIDEND POLICY

During the Reporting Period, the Company has in place a dividend policy. This dividend policy aims to set out the principles and guidelines that the Group intends to apply in relation to the declaration, payment or distribution of its profits, realized or unrealized, or from any reserve set aside from profits which the directors of the Company determine is no longer needed, as dividends to the shareholders of the Company.

According to the dividend policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- operations;
- earnings;
- financial condition;
- cash requirements and availability;
- capital expenditure;
- future development requirements;
- business conditions and strategies;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

L. SHAREHOLDER RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll, except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results announcement will be posted on the websites of the Company and the Hong Kong Stock Exchange in the manner prescribed by the Listing Rules.

Procedures for Shareholders to Convene an Extraordinary General Meeting

In accordance with Article 64 of the Articles of Association, any one or more Shareholders holding as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at General Meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 of the Articles of Association are set out above.

Putting Forward Enquiry/Requisition to the Board

For putting forward any enquiries or requisitions to the Board, shareholders may send written enquiries/requisitions to the Company.

Contact Details

Shareholders may send their enquiries or requisitions as mentioned above to the following:
Name: Fosun Tourism Group
Address: Room 808 & 2101–06, ICBC Tower, 3 Garden Road, Central, Hong Kong

For the avoidance of doubt, Shareholders must send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are updated as of 1 April 2020.

EXECUTIVE DIRECTORS

Qian Jiannong

Henri Giscard d'Estaing

EXECUTIVE DIRECTORS

Mr. Qian Jiannong (錢建農), aged 58, was appointed as chief executive officer of the Group since the establishment of commercial business department in October 2009, and was appointed as the chairman of the Board on 30 September 2016 and re-designated as an executive Director on 17 August 2018. Mr. Qian is responsible for formulating business strategies and overall management of our Group. Mr. Qian has over 20 years of experience in the tourism and retail industries. He joined our Group in October 2009 and was primarily responsible for developing and implementing Fosun International's strategies, operation and management of business activities in the tourism sector. He has since led us in accomplishing a series of investments in the tourism industry, such as Club Med, Vigor and Thomas Cook. Mr. Qian currently serves as a global partner and the senior vice president of Fosun International, solely responsible for the operation of our Group. He has also been a director of Club Med since 2010 and Club Med Holding since February 2015, and was a director of Yuyuan from June 2010 to December 2013. Mr. Qian has been a director of Hainan Atlantis since May 2013 and primarily responsible for overall business direction of Hainan Atlantis. He was also a non-executive director of Folli Follie from May 2011 to June 2018. Mr. Qian served as a director of Grupo Osborne, S.A. from June 2014 to November 2016. From September 2006 to August 2009, Mr. Qian also served as the chief executive officer and the executive director of Nepstar Chain Drugstore Ltd. (中國海王星辰連鎖藥店股份有限公司).

Mr. Qian obtained a bachelor's degree in economics from Shandong University (山東大學) in July 1983. He received a master's degree in economics from the University of Essen (subsequently reorganized as the University of Duisburg-Essenin) in Germany in July 1992 and was enrolled in the doctoral program in economics in the University of Duisburg-Essen from 1993 to 1997.

Mr. Henri Giscard d'Estaing, aged 63, is the deputy chief executive officer of the Group since June 2018, executive Director and the vice chairman of the Board since August 2018. He has also served as the president and director of Club Med Holding and president of Club Med Invest and also Club Med since March 2015 and December 2002, respectively. Mr. Giscard d'Estaing joined Club Med in July 1997 and successively served in various roles in Club Med. In addition, Mr. Giscard d'Estaing is also a global partner of Fosun International, which demonstrates the importance of our business within the Fosun International Group. Prior to joining Club Med, Mr. Giscard d'Estaing served as the head of development, chief executive officer of Danone's British subsidiary HP Food Lea and Perrins, chief executive officer of Evian-Badoit and an associate director in Cofremca. Mr. Giscard d'Estaing has also been a member of the advisory board of BOAO Forum for Asia since April 2018 and the deputy chairman of World Tourism Alliance (WTA) since its establishment in 2017. Mr. Giscard d'Estaing was an observer of Casino, Guichard-Perrachon (Euronext Paris: CO) and has been a member of the supervisory board of Randstad N.V. (Euronext Amsterdam: RAND) since April 2008.

Mr. Giscard d'Estaing graduated from Institut d'Etudes Politiques de Paris in 1977 and also received a master's degree in economics from University Paris II Panthéon-Assas in July 1979.

Mr. Wang Wenping, aged 42, was appointed as a director on 2 August 2018 and re-designated as an executive Director on 17 August 2018. He became our vice president and chief financial officer when he joined our Group on 24 April 2017, responsible for formulating business plans, strategies and major decisions of the Group and overseeing the financial management of our Group. Mr. Wang has over 19 years of working experience in the auditing and finance industries. Before joining our Group, he served as the executive director, chief financial officer and company secretary at Something Big Technology Holdings Limited from January 2014 to April 2017. From July 2000 to December 2013, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP, where he last served as a senior audit manager.

Mr. Wang has been a non-practicing member of the Shanghai Institute of Certified Public Accountants since June 2015, and was also a practicing member from November 2002 to April 2015. Mr. Wang received a bachelor's degree majoring in accounting from Xiamen University in July 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Allan Zeman, aged 71, the independent non-executive Director since November 2018. As at the end of the reporting period, Dr. Zeman has been the chairman of Lan Kwai Fong Group, the independent non-executive director of Sino Land Company Limited (Stock Exchange: 00083), Tsim Sha Tsui Properties Limited (Stock Exchange: 00247), Global Brands Group Holding Limited (Stock Exchange: 00787) and Television Broadcasts Limited (Stock Exchange: 00511). Dr. Zeman has also been the non-executive chairman and an independent non-executive director of Wynn Macau, Limited (Stock Exchange: 01128) and a non-executive director of Pacific Century Premium Developments Limited (Stock Exchange: 00432) and its independent non-executive director during the period from July 2006 to March 2018.

Dr. Zeman has been the chairman of Ocean Park from 2003 to 2014 and member of the board of West Kowloon Cultural District Authority from 2008 to 2016, and currently an honorary advisor of the Ocean Park and chairman of commercial letting panel of the West Kowloon Cultural District Authority since December 2016.

Dr. Zeman was appointed a Justice of the Peace in Hong Kong in 2001. Dr. Zeman was awarded the Gold Bauhinia Star in 2004 and the Grand Bauhinia Medal in 2011.

Dr. Zeman was awarded an Honorary Doctorate of Laws Degree from the University of Western Ontario, Canada in June 2004. In November 2012, he was also awarded Honorary Doctorate Degrees of Business Administration from City University of Hong Kong and the University of Science and Technology of Hong Kong. In November 2019, Dr. Zeman was awarded Honorary Doctorate Degrees of Business Administration from The Open University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Guo Yongqing

Katherine Rong Xin

Mr. Guo Yongqing, aged 45, an independent non-executive Director since November 2018. As at the end of the Reporting Period, Mr. Guo has been a professor of accounting in Shanghai National Accounting Institute and an independent director of Huangshan Tourism Development Co., Ltd. (Shanghai Stock Exchange: 600054 and 900942). Mr. Guo has also been an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited, a company listed on the Shanghai Stock Exchange and the Stock Exchange under the stock codes 600874 and 1065, respectively.

Mr. Guo has been a non-practicing member of the Chinese Institution of Certified Public Accountants since December 2009 and has also been a member of the Enterprise Accounting Standards Advisory Committee of the Ministry of Finance of China since July 2016. Mr. Guo was awarded the "Qingpu Leading Talent" by the Organization Department of the Communist Party of China of Qingpu District, Shanghai and the Bureau of Human Resources and Social Security of Qingpu District, Shanghai.

Mr. Guo graduated from Dongbei University of Finance and Economics, majoring in accounting, and received a bachelor's degree in July 1996 and a master's degree in March 1999. He graduated from Shanghai University of Finance and Economics majoring in accounting with a doctor's degree in February 2002.

Ms. Katherine Rong Xin, aged 56, the independent non-executive Director since November 2018. As at the end of the Reporting Period, Ms. Xin has been Professor of Management and Associate Dean at the China Europe International Business School. Ms. Xin served as an independent director in Shanghai Blossom Hill Hotel Management Co. Ltd., a company mainly engaged in boutique hotel management in China under the *Blossom Hill* brand, from March 2012 to April 2017.

Ms. Katherine Rong Xin was awarded Chinese Most Cited Researchers by Elsevier, a global provider of scientific, technical, and medical information, for five consecutive years from 2014 to 2018.

Ms. Katherine Rong Xin graduated from Anhui University in July 1984 with a bachelor's degree in English. She received a master's degree in applied linguistics from Graduate University of Chinese Academy of Sciences in July 1986, and a master's degree in business administration from California State University in June 1991. She obtained a doctor's degree in business administration from the University of California in June 1995.

SENIOR MANAGEMENT

Mr. Michel Wolfovski, aged 62, is the chief financial officer and the deputy chief executive officer of Club Med. Mr. Wolfovski joined Club Med in March 1998, and is primarily responsible for overseeing the operation, management and financial matters of Club Med, and moreover is the supervisor of Club Med's business in North and South America and operations in Europe-Africa. Prior to joining Club Med, he successively served as an auditor at the Lagardère Group, the head of management control and accounting at Matra Manurhin Défense, vice president financial management at Fairchild Space and Defense Corporation in the U.S., and management finance Director at the Matra Communication group. Before that, Mr. Wolfovski served as an auditor at Ernst & Young. Mr. Wolfovski is the member of the French Institute of Certified Public Accountants. Mr. Wolfovski received his master's degree from Le Havre Business School, France, in July 1982.

Mr. Cao Ming Long, aged 55, is the co-president of the Group and president of the tourism destination development management center of the Group and a global partner of Fosun International. Mr. Cao joined our group in 2013, and is primarily responsible for overseeing the construction, operation and development of the tourism destination of the Group. He has over 18 years of working experience in the real estate and tourism industries. Prior to joining our Group, Mr. Cao served as the chief operating officer of China real property division of Tuan Sing Group. Prior to that, Mr. Cao worked at WBL Properties (China) (Private) Ltd. (formerly known as Weames Development (Private) Ltd. — China property division) where he served as the deputy general manager. Prior to that, Mr. Cao worked as the operation director/deputy managing director in Asia Food and Properties Co., Ltd. China Division. Mr. Cao obtained a bachelor's degree in medicine from the Second Military Medical University in July 1989, and obtained a master's degree in business administration from University of Leicester in July 1999.

Mr. Guo Qing, aged 46, is the co-president of the Group and the president of the tourism destination business development and operation management center of the Group since 11 January 2020. Before joining the Group, Mr. Guo has over 22 years of professional experience in real estate development industry in China, including real estate development, asset management and property management. Mr. Guo served several positions within Fosun International Limited and its subsidiaries. Prior to that, Mr. Guo worked for Shui On Management (Shanghai) Co., Ltd. as an executive director and served as a managing director of Shanghai Feng Cheng Property Management Co., Ltd. Mr. Guo graduated from Shanghai Tongji University with a bachelor degree in urban planning.

Mr. Xu Bingbin, aged 39, is the vice president and co-chief financial officer of our Group. Mr. Xu joined our Group in November 2009. By the end of the Reporting Period, he is also the director of Club Med and other associates of the Group. Currently Mr. Xu is primarily responsible for investor relations, driving strategy planning and implementation of Club Med and supervising the development of acquired business. Prior to joining our Group, Mr. Xu served as the assistant general manager of China International Economic Consultants Co., Ltd. Shanghai Branch, CITIC Group. Mr. Xu obtained a bachelor's degree in economics from Shanghai University in July 2003. He also received a master's degree in international business from Monash University in Australia in November 2005.

Ms. Wang Yuenan, aged 44, is the vice president and general manager of Service & Solution department of our group since 28 February 2020. Prior to this, Ms. Wang Yuenan was the vice president and general manager of the human resources department of our group since she joined our group in April 2017. Ms. Wang has over 20 years of working experience cross functional and business functions in various industry. Prior to joining our Group, she served as a human resources director of China, and meanwhile taking the dual role as human resources leader of Asia Pacific and India of at Trane Air Conditioning System (China) Co., Ltd. Prior to that, Ms. Wang worked as human resources director of Grundfos Pumps (Shanghai) Co., Ltd. She also worked at Mondelez Shanghai Food Corporate Management Co., Ltd. where she last served as the national human resources manager. Prior to that, Ms. Wang served as APAC organization development and learning leader in the Specialty Materials Business Group of Honeywell (China) Co., Ltd. Ms. Wang obtained a bachelor's degree in economics from the East China Normal University in July 1997, and obtained a master's certificate in applied psychology from East China Normal University in June 2005. She also completed the Chief Human Resource Officer Executive Education Program held by Shanghai Jiao Tong University in April 2015.

Mr. Liu Xiaoxue, aged 35, is the vice president and general manager of the human resources department of our group since 1 March 2020 and is primarily responsible for human resource strategic planning, organization design and development, talent acquisition and leadership development. Prior to joining our group, Mr. Liu served as Head of Fosun International Group Organization and Talent Development, co-general-manager of Fosun International Group Human Resources Business Partners, executive principal of Fosun University and deputy chief human resources officer of Fosun International Group. Mr. Liu also successfully worked as consulting manager in PricewaterhouseCoopers Management Consulting (Shanghai) Co., Ltd. and Deloitte Management Consulting (Shanghai) Co., Ltd., providing extensive and professional advisory service to domestic and multi-national companies. Mr. Liu obtained Bachelor and Master's degree from Fudan University in July 2007 and July 2010 respectively.

COMPANY SECRETARY

Ms. Leung Ching Ching, aged 39, has been the company secretary of the Company since June 2019. Ms. Leung is a Senior Manager of Corporate Services of Tricor Services Limited ("Tricor"). Ms. Leung graduated from The Chinese University of Hong Kong and admitted to the Degree of Bachelor of Social Science in December 2003. She also received a Master of Arts in Professional Accounting and Information System from City University of Hong Kong in November 2006. Ms. Leung has over 15 years of experience in the corporate secretarial field and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

The Board is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group's principal activities are (i) resorts, which we operate through Club Med and Club Med Joyview; (ii) tourism destinations, which we develop, operate and manage, including Atlantis Sanya, as well as destinations we manage for other parties; and (iii) services and solutions in various tourism and leisure settings.

BUSINESS REVIEW OF THE GROUP IN 2019

A fair view of the business of the Group in 2019 and a discussion and analysis of the material factors underlying the Group's performance, results and financial position during the year are provided in the sections headed "Business Overview" and "Management Discussion and Analysis" in this annual report, respectively. Description of the major risks and uncertainties faced by the Group can be found throughout this annual report, particularly in this Directors' Report. Particulars of important events affecting the Group that have occurred since the end of the financial year 2019, can also be found in the above mentioned sections and the notes to financial statements. The outlook of the Group's business is discussed throughout this annual report including the section headed "Letter to Shareholders".

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes of this annual report.

The Board is pleased to declare a final dividend for the year ended 31 December 2019 (the "Final Dividend") of HK$0.02 (year ended 31 December 2018: nil) per Share, payable to Shareholders whose names appear on the Company' s register of members at the close of business on 2 July 2020, being the record date for determination of entitlement to the Final Dividend. The Final Dividend is expected to be paid on or around 15 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 May 2020 to Wednesday, 20 May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 14 May 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section headed "Five-Year Statistics" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 14 to financial statements, respectively.

ISSUED SHARES

Details of movements in the Shares during the Reporting Period are set out in note 40 to financial statements.

SUBSIDIARIES

The names of the principal subsidiaries, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in note 1 to financial statements.

BORROWINGS

Particulars of borrowings of the Group are set out in note 31 to financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a Pre-IPO Share Option Scheme on 29 December 2017 and the shareholders of Fosun International approved the said scheme on 23 February 2018. The following detailed information in relation to the Pre-IPO Share Option Scheme is set out in the circular of Fosun International dated 1 February 2018 (the "Circular") and note 42 to financial statements. Unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Circular. The major terms of the Pre-IPO Share Option Scheme are as follows:

1) The purpose of the Pre-IPO Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholder(s) as a whole.

2) The Participants of the Pre-IPO Share Option Scheme include (i) any full-time employee(s) of the Company or of any of its subsidiaries; (ii) directors of the Company or of any of its subsidiaries; and (iii) any person(s) whether or not an employee(s) or officer(s) of the Company or of any of its subsidiaries who the Board, or the duly authorized committee thereof, considers to be able to enhance the operations or value of the Group.

3) The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and other share option schemes of the Company shall not exceed the Scheme Mandate Limit (being 10% of the number of the relevant class of shares of the Company in issue as of the Adoption Date). The Scheme Mandate Limit shall include the number of shares of the Company which would be issued upon the exercise of all outstanding Options by the Grantees (to the extent not already exercised) together with the number of shares of the Company which have already been issued pursuant to the earlier exercise of any Option granted under the Pre-IPO Share Option Scheme. The total of 100,000,000 Shares available for issue under the Pre-IPO Share Option Scheme representing approximately 8.10% of the issued Shares as of the end of the Reporting Period.

4) The total number of shares of the Company which may be issued and to be issued upon exercise of the Options granted and to be granted to each Participant or Grantee (as the case may be) (including both redeemed and outstanding Options) in any 12-month period shall not exceed 1% of the number of the relevant class of shares of the Company in issue as of the proposed date of grant; unless any further grant of Options (including redeemed, cancelled and outstanding Options) to the Participant or the Grantee exceeding the 1% limit is made in compliance with the requirements under the Listing Rules (including the prior approval of the shareholders of Fosun International).

5) The exercise period of any option granted under the Pre-IPO Share Option Scheme must not be more than 10 years commencing on the date of grant.

6) The acceptance amount for the option is determined by the Board or the duly authorized committee thereof from time to time.

7) The Exercise Price shall be determined solely by the Board, or the duly authorized committee thereof, with reference to factors which may include business performance and value of the Company and individual performance of the relevant Grantee.

8) Subject to the termination provisions under the Pre-IPO Share Option Scheme and provided that under no circumstance shall the life of the Pre-IPO Share Option Scheme be more than 10 years from the Adoption Date, the Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on the Adoption Date and ending on the date immediately preceding the date of Listing, after which period no further Options shall be granted but the provision of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects.

On 14 December 2018, the Shares were listed and traded on the Main Board of the Stock Exchange, since then, no further options has been or will be granted under the Pre-IPO Share Option Scheme. For the year ended 31 December 2018, the aggregate fair value of the Options granted amounted to approximately RMB184,620,000. As of the end of the Reporting Period, 43,321,877 effective Options were outstanding.

The following table discloses movements in the Company's outstanding Options under the Pre-IPO Share Option Scheme during the Reporting Period.

			Number of the Options					
Name of Grantee	**Date of grant of the Options**	**On 1 January 2019**	**Granted during the Reporting Period**	**Exercised during the Reporting Period**	**Expired/ lapsed/ cancelled during the Reporting Period**	**On 31 December 2019**	**Exercise period of the Options**	**Exercise price of the Options per Share (HKD)**
Qian Jiannong	23 February 2018	20,000,000	—	—	—	20,000,000	22 February 2019 to 22 February 2026(1)	8.43
Wang Wenping	23 February 2018	536,625	—	—	—	536,625	28 December 2018 to 28 December 2021(2)	8.43
	19 November 2018	810,000	—	—	—	810,000	18 November 2019 to 18 November 2022(3)	15.60
Other Grantees	23 February 2018	10,202,372	—	87,210	321,630	9,853,532	28 December 2018 to 28 December 2021(2)	8.43
	19 November 2018	13,006,520	—	—	824,800	12,445,720	18 November 2019 to 18 November 2022(3)	15.60
Total		**44,555,517**	**—**	**87,210**	**1,146,430**	**43,321,877**		

Notes:

1. The Options, being granted to Mr. Qian Jiannong on 23 February 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
20%	22 February 2019
20%	22 February 2020
20%	22 February 2021
20%	22 February 2022
5%	22 February 2023
5%	22 February 2024
5%	22 February 2025
5%	22 February 2026

2. The Options, being granted to Mr. Wang Wenping and other Grantees on 23 February 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
25%	28 December 2018
25%	28 December 2019
25%	28 December 2020
25%	28 December 2021

3. The Options, being granted to Mr. Wang Wenping and other Grantees on 19 November 2018 shall be vested according to the following period:

Percentage of Options to be vested	Vesting Date
25%	18 November 2019
25%	18 November 2020
25%	18 November 2021
25%	18 November 2022

The exercise of the Options by the Grantees shall be subject to and conditional upon the fulfillment of certain performance targets as the Board, or the duly authorized committee thereof, may determine at its sole discretion in accordance with the Pre-IPO Share Option Scheme.

Save as disclosed above, there were no outstanding Options granted under the Pre-IPO Share Option Scheme during the Reporting Period.

PRE-IPO SHARE OWNERSHIP PLAN AND PRE-IPO FREE SHARE AWARD PLAN

Details of the Pre-IPO Share Ownership Plan and Pre-IPO Free Share Award Plan are set out in note 42 to financial statements.

2019 SHARE OPTION SCHEME

The Company adopted the 2019 Share Option Scheme on 19 August 2019 and the shareholders of Fosun International and the Company approved the said scheme on 30 October 2019 and 27 November 2019 respectively. The following detailed information in relation to the 2019 Share Option Scheme is set out in the circular of the Company dated 7 November 2019 (the "Circular") and note 42 to financial statements. Unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Circular. The major terms of the 2019 Share Option Scheme are as follows:

1) The purpose of the 2019 Share Option Scheme is to enable the Group to grant options to the Eligible Participants as incentives or rewards for their contribution to the Group. The Directors believe the 2019 Share Option Scheme will enable the Group to reward the employees, the Directors and other Eligible Participants for their contributions to the Group

2) The Participants of the 2019 Share Option Scheme include (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors, where applicable) and employees of any member of the Group; and (ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

3) The maximum number of the Shares which may be issued in respect of which options may be granted under the 2019 Share Option Scheme shall not exceed 5% of the Shares in issue on the Adoption Date (representing 61,752,269 Shares as at the Latest Practicable Date, assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the Adoption Date), and, when aggregated with the maximum number of Shares which may be issued in respect of any options to be granted under any other share option scheme of the Company shall not exceed 10% of the Shares in issue on the Adoption Date.

4) The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the 2019 Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular containing the requisite information in accordance with the note to Rule 17.03(4) of the Listing Rules to be sent to the FIL Shareholders and the Shareholders prior to respective general meetings with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before approvals of the FIL Shareholders and the Shareholders and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

5) The 2019 Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

6) The subscription price per Share under the 2019 Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant in respect of such option, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant in respect of such option; and (iii) the nominal value of a Share.

7) The Company by ordinary resolution in a general meeting or the Board may at any time terminate the 2019 Share Option Scheme and in such event no further options shall be offered or granted but the provisions of the 2019 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the 2019 Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the 2019 Share Option Scheme.

8) For the following details (1) the conditions that must be met before the company issues any shares, the conditions that must be met before a third party may require the company to issue any shares, and any monetary or other consideration that the company has received or will receive under the agreement; (2) the classes of shares issued under the arrangement; and (3) for each class of shares, the number of shares that have been issued under the 2019 Share Option Scheme, please refer to the Circular.

As of the end of the Reporting Period, no options have been granted or agreed to be granted under the 2019 Share Option Scheme.

2019 SHARE AWARD PLAN

On 19 August 2019, the Board adopted the 2019 Share Award Plan with immediate effect. The following is a summary of the principal terms and conditions of the 2019 Share Award Plan ("the Plan"):

1) The purpose of the Plan is to provide the participants with the opportunity to receive proprietary interests in the Shares of the Company and to encourage the participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

2) The participants of the Plan includes: (i) any full-time employee(s) of the Company or of any of its subsidiaries; and (ii) Directors or directors of any of its subsidiaries; and (iii) any person(s) whether or not an employee(s) or officer(s) of the Company or any of its subsidiaries who the Board, or the duly authorized committee thereof, considers to be able to enhance the operations or value of the Group.

3) Subject to the provisions of the Plan, the Shares which may be issued upon vesting of all share units to be granted under the Plan shall not exceed 2.5% of the number of the relevant class of Shares in issue on the Adoption Date (the "Plan Mandate Limit"). Such maximum number shall include the number of Shares which would be issued upon the vesting of all outstanding share units by the grantees (to the extent not already vested) together with the number of Shares which have already been issued in respect of the Shares vested under the Plan. Share units lapsed in accordance with the terms of the Plan shall not be counted for the purpose of calculating the Plan Mandate Limit. Any refreshment or increase of such Plan Mandate Limit shall be made in compliance with the Articles of Association of the Company, the Listing Rules and applicable laws.

4) Subject to the termination provisions under the Plan, the Plan shall be valid and effective for a period of 10 years commencing on Adoption Date, after which period no further share units shall be granted but the provisions of the Plan shall remain in full force and effect in all other respects. Subject to the above, in all other respects, in particular, in respect of share units remaining outstanding on the expiration of the period referred to in this paragraph, the provisions of the Plan shall remain in full force and effect.

As of the end of the Reporting Period, no awards have been granted or agreed to be granted under the Plan.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the Consolidated Statement of Changes in Equity of this annual report and details of movements in the reserves of the Company during the Reporting Period are set out in note 41 to financial statements.

On 31 December 2019, the Company's reserves available for distribution amounted to RMB8,132.4 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's five largest suppliers contributed less than 30% of the total purchases and the Group's five largest customers contributed less than 30% of the total sales.

During the Reporting Period, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any beneficial interests in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Reporting Period were:

Executive Directors

Mr. Qian Jiannong *(Chairman and Chief Executive Officer)*
Mr. Henri Giscard d'Estaing *(Vice Chairman and Deputy Chief Executive Officer)*
Mr. Wang Wenping *(Vice President and Chief Financial Officer)*

Non-executive Director

Mr. Wang Can[(1)]

Independent Non-executive Directors

Dr. Allan Zeman
Mr. Guo Yongqing
Ms. Katherine Rong Xin

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

According to Article 109 of the Articles of Association, Dr. Allan Zeman, Mr. Guo Yongqing and Ms. Katherine Rong Xin shall retire by rotation at the annual general meeting. All of the above three retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Qian Jiannong and Mr. Wang Wenping, being our executive Directors, has entered into a service contract with our Company on 19 November 2018, and Mr. Henri Giscard d'Estaing, our executive Director, entered into a service contract with our Company on 4 September 2018. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Dr. Allan Zeman, Mr. Guo Yongqing and Ms. Katherine Rong Xin, being our independent non-executive Directors, has entered into a letter of appointment with our Company on 19 November 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

DIRECTORS AND SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee of the Company considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. References to the remuneration standards of the industry as well as the business development of the Company are made to ensure the level of remuneration should be sufficient to attract and retain the Directors, and the Company should avoid paying more than necessary for this purpose.

Details of the Directors remuneration are set out in note 9 to financial statements.

The remuneration of senior management by band (including share-based payment) for the year ended 31 December 2019 is set out below:

	Number of senior management
RMB1,000,001 to RMB2,000,000	—
RMB2,000,001 to RMB4,000,000	3
RMB4,000,001 to RMB6,000,000	1
RMB6,000,001 to RMB8,000,000	—
RMB8,000,001 to RMB10,000,000	1
RMB10,000,001 to RMB12,000,000	—
	5

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2019, none of the Directors nor their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2019, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Shares

Name of Director/Chief executive	Nature of interests	Number of Shares/ underlying shares interested	Approximate percentage in relevant class of shares
Qian Jiannong	Beneficial owner	21,500,804	1.74%
Henri Giscard d'Estaing	Beneficial owner	850,230	0.07%
Wang Wenping	Beneficial owner	1,746,625	0.14%
Wang Can[1]	Beneficial owner	829	0.00%

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

(ii) Interests in associated corporation

Name of Director/Chief executive	Name of associated corporation	Nature of interests	Number of Shares/ underlying shares interested	Approximate percentage in relevant class of shares/
Qian Jiannong	Fosun International	Beneficial owner	9,655,000	0.11%[1]
Henri Giscard d'Estaing	Fosun International	Beneficial owner	3,100,000	0.04%[1]
	Club Med Holding	Beneficial owner	375,000[2]	0.56%
Wang Can[3]	Fosun International	Beneficial owner	10,035,000	0.12%[1]

Notes:

(1) The calculation is based on the total number of 8,537,541,244 shares of Fosun International in issue as of the end of the Reporting Period.

(2) Including 257,813 ordinary shares of Club Med Holding and 117,187 preferred share C of Club Med Holding.

(3) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As of 31 December 2019, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Shares/ underlying shares interested	Approximate percentage in relevant class of shares
Fosun International	Beneficial owner	1,000,000,002	80.97%
FHL[(1)]	Beneficial owner	15,389,930	1.25%
	Interest in controlled corporation	1,000,000,002	80.97%
FIHL[(2)]	Interest in controlled corporation	1,015,389,932	82.21%
Guo Guangchang[(3)]	Interest in controlled corporation	1,015,389,932	82.21%

Notes:

(1) FHL holds approximately 70.80% equity interest in Fosun International, and is therefore deemed to be interested in the Shares directly held by Fosun International.

(2) FIHL holds 100% equity interest in FHL, and is therefore deemed to be interested in the Shares which FHL is interested in.

(3) Guo Guangchang holds 85.29% equity interest in FIHL, and is therefore deemed to be interested in the Shares which FIHL is interested in.

Save as disclosed above, so far as was known to the Directors, as of 31 December 2019, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholders or any of its subsidiaries during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, the Company has maintained sufficient public float in compliance with the minimum requirement of the Listing Rules and the relevant exemption granted by the Stock Exchange upon the Company's listing.

CONNECTED TRANSACTIONS

As mentioned in the Prospectus, the following are the extracts of partially exempt continuing connected transactions.

1. On 19 November 2018, the Company entered into a property lease and management services framework agreement with Fosun International, (the "Office Property Lease and Management Services Framework Agreement"), pursuant to which the Remaining Fosun International Group agreed to lease properties, including but not limited to the properties of the Remaining Fosun International Group in Beijing and Shanghai, for office use and provide related property management services, where applicable, to the Group. The Office Property Lease and Management Services Framework Agreement is for a term commencing on the Listing Date until 31 December 2020 and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations. The annual cap for the year ended 31 December 2019 is RMB15.0 million, while the actual transaction amount for the year ended 31 December 2019 is approximately RMB3.9 million.

   As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under the Office Property Lease and Management Services Framework Agreement, on an annual basis, exceeds 0.1% but less than 5%, and they are on normal commercial terms, these transactions are subject to the reporting, annual review and announcement requirements, but are exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details about the Office Property Lease and Management Services Framework Agreement, please refer to the Prospectus.

2. SCM Corporation, a subsidiary of Club Med, entered into a management agreement covering Club Med Tomamu Resort with Hoshino Tomamu on 20 June 2016, as amended on 8 December 2017 (collectively, the "Tomamu Resort Management Agreement"), pursuant to which SCM Corporation, as the manager, agreed to provide management service for the Club Med Tomamu Resort. On 16 May 2017, Hoshino Tomamu, SCM Corporation and CMJ Management Corporation (a subsidiary of Club Med) entered into an assignment agreement pursuant to which SCM Corporation assigned all of its rights and obligations and contractual status under the Tomamu Resort Management Agreement to CMJ Management Corporation. Under the Tomamu Resort Management Agreement, Hoshino Tomamu is granted until the termination of such agreement a non-exclusive, non-assignable and non-transferrable license to use Club Med's names and trademarks as necessary for the resort's operation and promotion. On 20 June 2016, Club Med entered into a sales and marketing agreement with Hoshino Tomamu covering the same resort, as amended on 20 June 2016 (collectively, the "Tomamu Resort Sales and Marketing Agreement"), pursuant to which Club Med agreed to act as the exclusive and sole agent to promote, sell and market the Club Med Tomamu Resort as a Club Med product in accordance with the Club Med system.

   Each of the Tomamu Resort Management Agreement and the Tomamu Resort Sales and Marketing Agreement has a term of ten years commencing from 1 December 2017, the soft opening date of Club Med Tomamu Resort. As required by Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Under Club Med's management contract operating model, Club Med usually enters into a long-term management and sales and marketing agreement to ensure business stability and continuity because it is not in the interest of both the resort owner and resort manager to frequently change the resort managers or to enter into short-term management agreements which could result in disruptions to operations. It also takes time to find new places and properties that are suitable to be managed and marketed under the Club Med brand. As such, a longer duration gives Club Med longer term visibility on its costs of operations and allows Club Med to share the future growth of the resort and boost its revenue. Our Directors are of the view that entering into the Tomamu Resort Management Agreement and the Tomamu Resort Sales and Marketing Agreement for a period of more than three years is in line with normal business practice and is in the interests of the Company and Shareholders as a whole. The annual cap of Tomamu Resort Management Agreement and Tomamu Resort Sales and Marketing Agreement for the year ended 31 December 2019 is RMB23.9 million and RMB115.6 million respectively, while the actual amount of Tomamu Resort Management Agreement and Tomamu Resort Sales and Marketing Agreement for the year ended 31 December 2019 is approximately RMB16.7 million and RMB96.6 million respectively.

As the Tomamu Resort Management Agreement and the Tomamu Resort Sales and Marketing Agreement were both entered into by the Group with Hoshino Tomamu in respect of the management of Club Med Tomamu Resort, such continuing connected transactions thereunder have been aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of these transactions, on an annual basis, exceeds 0.1% but less than 5%, and they are on normal commercial terms or better, the transactions are subject to the reporting, annual review and announcement requirements, but are exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details about the Tomamu Resort Management Agreement and Tomamu Resort Sales and Marketing Agreement, please refer to the Prospectus.

3. On 6 June 2019, The Company entered into the Steelwork Material Purchase Framework Agreement with Jiangsu NISCO's "Ready Rolled Steel" Trading Co., Ltd. ("Nangang Trading"), pursuant to which the Group purchases, and Nangang Trading sells, steelwork materials for the construction of our Taicang project. As Nangang Trading is a joint venture of Fosun International, the controlling shareholder of the Company, Nangang Trading is a connected person of the Company and thus the transactions contemplated under the Steelwork Material Purchase Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. The Steelwork Material Purchase Framework Agreement is for a term commencing from the date of the Steelwork Material Purchase Framework Agreement to 31 December 2019. The proposed annual cap for the estimated considerations payable by the Group to Nangang Trading for the year ending 31 December 2019 is RMB103.3 million, while the actual amount of the considerations payable for the year ended 31 December 2019 is approximately RMB30.8 million.

   As all the applicable percentage ratios in respect of the annual cap for the Steelwork Material Purchase Framework Agreement are more than 0.1% but are less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

ANNUAL REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

Our independent non-executive Directors have reviewed the continuing connected transactions outlined above, and confirmed that such Continuing Connected Transactions had been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Company and Shareholders as a whole.

Our auditor has performed the relevant procedures regarding the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740, *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 53 and 54 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor of the Company has performed agreed upon procedures regarding the continuing connected transactions entered into by the Group during the year ended 31 December 2019 as set out above and states that:

(a) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed in this annual report, during the year ended 31 December 2019, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, the independent non-executive Directors will review the matters, relating to the enforcement of the deed of non-competition undertaking dated 26 November 2018 (the "Deed of Non-competition Undertaking") to ensure the compliance of Deed of Non-competition Undertaking by the Controlling Shareholders. During the Reporting Period, the independent non-executive Directors have reviewed matters relating to the enforcement of the Deed of Non-competition Undertaking. Controlling Shareholders have provided the Company with an annual declaration of compliance with the provisions of the Deed of Non-competition Undertaking.

During the Reporting Period, the Controlling Shareholders have provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition Undertaking or all information required by the Company for the review of independent non-executive Directors. The Company has also accessed to appropriate staff members of the Controlling Shareholders to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition Undertaking.

RELATED PARTY TRANSACTIONS

Related party transactions entered by the Group during the Reporting Period are disclosed in note 47 to financial statements. During the year ended 31 December 2019, certain related party transactions constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the Reporting Period of the Group are set out in note 51 to financial statements and the "Business Overview" in this annual report.

ENVIRONMENT POLICY AND THE PERFORMANCE

The Company actively fulfils social responsibility, protects and cares for the environment, makes good use and cherishes resources, adopts more environment-friendly design and technology, enhances the sense of environmental protection among employees, cooperative partners and customers, and strives to minimize the impact of the Company's businesses on the environment. Details are set out in the "Fosun Tourism Group 2019 Environmental, Social and Governance Report" that to be published on or before 30 April 2020 on the Hong Kong Stock Exchange's website (www.hkexnews.hk).

RELATIONSHIP WITH ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND INVESTORS

The Company actively manages its relationship with employees, customers, suppliers, investors, the general public in communities where it operates and other stakeholders, since the actions of such persons are able to influence the performance and value of the Company.

The Company adopts a variety of ways to communicate with its employees, such as FOLIDAY Sharing Sessions (non-regular) and their performance review and feedback from management heads in different tiers. These communication channels allow the Company to understand its employees and at the same time to deliver the Company's strategies and culture to its employees, through which the latest information of the country, industries and enterprises is also shared with our employees, thus a diverse platform for learning and development is provided. Our employees are also encouraged to attend charitable activities for upholding the Group's value and brand.

The Company actively manages its relationship with investors. Subject to the compliance requirement, the Investor Relations Department actively conveys the Company's information to the market to ensure high degree of transparency and smooth communication. In addition to the daily communication with the analysts and investors, we also hold results press conference, roadshow and reverse roadshow, investors' teleconference, etc.

COMPLIANCE WITH LAWS AND REGULATIONS

Though the Company is incorporated in the Cayman Islands, its business activities and investments cover various jurisdictions in addition to Hong Kong including but not limited to Chinese Mainland, the United States of America and Europe. During the Reporting Period, the Company had complied with all material laws and regulations of jurisdictions aforesaid that have an impact on the Company.

MAJOR RISKS AND RESPONSIVE MEASURES

With the growth of global operations, the Group further enhanced group-level risk management in 2019, and improved enterprise risk management system from the aspects of organizational structure, management policies and work flows. Nevertheless, the Group is fully aware of the risks and uncertainties in its operations, such as:

1. Strategic risk

Strategic risk refers to the risk that the established strategy does not match the market environment and the company's capability due to the invalid process of strategy formulation and implementation or the change of business environment. The Group's business spans the globe, and there exists certain uncertainty in the judgment of the industry development trend. The Group may also not be able to achieve its expectation in integrating global industrial resources and promoting synergy.

On the basis of fully studying the development trend of domestic and foreign markets and national policies, the Group ensures the coordination of the strategic objectives of the Group and its subsidiaries, by formulating long-term development strategy. Meanwhile, the group regularly reviews the development strategy of the group and dynamically adjusts the strategy according to the changes of external conditions. The group promotes the implementation of the established strategies by formulating annual budgets and business plans, and tracks the achievement of plans through monthly meetings and business analysis meetings, so as to guide subsidiaries in strategic risk management and avoid negative effects caused by lack of strategic synergy among subsidiaries.

2. Market risk

We operate in a competitive and fragmented industry. Although we are dedicated to providing quality tourism and leisure products and services to our customers and focus on mid- and high-end markets that are difficult to penetrate, we face competition from competitors of similar grades and/or styles in the same geographical market. Moreover, there is no guarantee that other brand competitors will not enter into this market with competitive services and prices. The success of our business will depend largely on our ability to compete in areas such as brand reputation, company image, service prices and quality, and convenience of resort and tourism destination location. Our competitors may offer more facilities and/or services at similar or more competitive prices compared to ours to attract more customers. If the efforts of our competitors are successful, our business may be adversely affected. For example, our resorts may experience lower occupancy rates, or our resorts are required to lower room rates, both of which will result in a material and adverse effect on our business, financial condition and results of operations.

We constantly conduct research and monitor industry trends in order to anticipate changes in our industry or create new demand for innovative products and services that we design. The diversity of our destinations mitigates the risks arising from seasonality or over-concentration in a particular geographical area. We mitigate the off-season impact by attracting more customers through promoting our resorts and tourism destinations through offering well-designed kid camps, leisure-related healthcare services, and other activities. These efforts can help offset some of the seasonal variations in our operations.

We also utilize our global resources to provide customized development plans and solutions for the tourism destination projects by taking into account the specific location characteristics and changing consumer trends. We have enhanced our ecosystem by expanding our portfolio of increasingly popular and innovative tourism and leisure resources, solutions, activities and services, to serve our customers' tourism and leisure needs within our FOLIDAY ecosystem. We intend to increase the attractiveness of our ecosystem through introducing a greater variety of experience-enriching offerings, which allow our customers to interact more frequently with our platform.

3. Financial risk

We undertake a wide range of financial risks, including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk and liquidity risk. We operate resorts all over the world and are exposed to the risk of fluctuations in foreign exchange rates. Our exposure to the risk of changes in market interest rates relates primarily to the long-term debt obligations with floating interest rates. Our reporting currency is the RMB.

As we conduct our businesses worldwide, we receive foreign currency payments from our customers during our daily operations, and we have different bank borrowing balances in different currencies. The fluctuations in currency exchange rates may significantly decrease the RMB amount received from foreign currency revenues, and could have a significant impact on our indebtedness position. As a result, we are subject to fluctuations in currency exchange rates which may cause volatility in our results of operations and may make it difficult or impossible to compare our results of operations from period to period. We have entered into interest rates swap contracts to manage interest rate exposures on borrowings. In order to exercise prudent management against interest rate risks, we continue to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

4. Operational risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, people and systems, or from external events. The Group operates resorts and tourism destinations in over 40 countries and regions and faces operational risks in terms of customer safety, food safety and personal data protection, etc.

We have set up an internal control system and enhanced our risk management and internal control policies and systems in a continual effort to improve our risk management capabilities and enhance our internal controls. Our internal control system is organized on a decentralized basis, underpinned by rules relating to organization, strategies, procedures and practices aimed at controlling risks that may have a material impact on our assets or on our ability to achieve our objectives. Internal control procedures in each business unit extend to every level of the Group and are the responsibility of the operating and corporate departments.

For the quality control of services provided in our tourism destinations, we have established a series of monitoring measures, including but not limited to the establishment of Customer Service & Product Quality Management Department to manage all customers' claims and communications and quality control measures on quality of food, hygiene, show products and outsourced services. We also hire third-party health and safety management companies to conduct regular food safety and hygiene inspections. For our services and solutions in various tourism and leisure settings, we have implemented quality control measures such as reviewing customers' comments on online platforms, analysing customer satisfaction scores and feedbacks and monitoring the qualities of our services scores on online platform with a regular basis to ensure timely quality monitored and improved.

Our information systems are designed to meet requirements for security, reliability, availability and traceability of information. We have implemented security systems to ensure that such data are protected and loss of such data, whether through hacking or other means, is avoided, so as to ensure the security of the information systems and the integrity of our data. We have also achieved automatic data deletion in clients database, definition of global governance for clients data protection in resorts, documentation of international data transfers between companies. Only employees with the professional necessity to access the customers' information are authorized with a limited access to such confidential information, and employees are forbidden from extracting from our information systems any data of a personal nature and in particular the data subject to privacy protection.

5. Compliance risk

Compliance risk refers to the risk of legal liability, regulatory penalties, financial losses or reputational losses caused by the company and its staff and marketers due to non-compliance in business management or practice. While the Group operates business all over the world, it is also required to comply with the laws and regulations of different jurisdictions.

The Group is well aware of the importance of compliance management to the development of the company and always regards environmental protection, occupational health, safe production and quality management (EHSQ) as an important part of fulfilling social responsibility, also we have established EHSQ department to manage environment, food safety and hygiene, occupational safety and health to ensure operations in compliance. The Group complies with the information disclosure requirements of the Hong Kong Stock Exchange and fulfills its disclosure obligations in a timely manner. We have established local legal teams in all regions of our business operations to handle legal matters of different jurisdictions. Where necessary, we also seek advice from external counsel. To improve efficiency of legal management, the legal teams confer periodically to share information such as best practices and insights into newly promulgated laws which have impact on our operations, and the local legal teams are required to promptly notify the central legal department of sensitive matters, including but not limited to material legal proceedings, significant projects and projects involving legal risks.

6. Reputational risk

Reputational risk refers to the risk of loss resulted from stakeholders' negative comment on the company caused by business management or external events. Any incident or adverse publicity concerning any one of our resorts, tourism destination and/or brands may adversely affect our businesses under the same brand as a whole. For example, any incident or adverse publicity concerning any one of our Club Med resorts may adversely affect all our resorts under the Club Med brand, and may result in a decreased number of guests and adversely affect our results of operations.

The Group has established a reputational risk management mechanism of prior warning, in-process response, ex post inspection and reputation recovery.

USE OF NET PROCEEDS FROM LISTING

In 2018, with an Offer Price of HK$15.6 per Share, we have raised net proceeds of approximately HK$3,269.9 million from the Global Offering dated on 14 December 2018, after deducting part of the underwriting commissions and listing expenses paid in connection with the Global Offering before the Over-allotment Option exercised. As stated in the Prospectus, the intended uses of the IPO Proceeds are set out as follows:

- approximately 19% of the net proceeds, is expected to be used to expand our existing business. A majority of this portion of the net proceeds is expected to be used for: (i) further developing our resort business through renovating resorts, upgrading resort facilities, extending the capacities of our existing resorts, resort maintenance and the opening of new resorts; and (ii) developing our digital technology infrastructure including management systems, digital solutions and applications for our resorts business to improve customer experience; and the remaining net proceeds is expected to be used for: (iii) enhancing our FOLIDAY branding and promoting other brands in our business, and expanding our FOLIDAY platform to increase user base, developing broader distribution network and further promoting precise and targeted sales and marketing activities; and (iv) developing our kid learning and playing business as well as cultural events, performing arts and live entertainment business;

- approximately 52% of the net proceeds, is expected to be used for (i) the development of the Lijiang Project and Taicang Project, including acquisition of additional land use right, designing, planning, construction and procurement of construction materials; and (ii) exploring new tourism destinations with valuable resources, especially those favored by Chinese customers, through cooperation with our various strategic business partners. 28% of this portion of the net proceeds is expected to be used for the development of Lijiang Project, and 72% of this portion of the net proceeds is expected to be used for the development of Taicang Project;

- approximately 26% of the net proceeds, is expected to be used to repay part of our outstanding bank loans. The Company obtained a bank loan in the amount of HK$2 billion in June 2018, repayable at the end of loan tenor: up to 12 months of the first drawdown or one month after the Listing Date, whichever is earlier. Interest is charged at the Hong Kong Interbank Offered Rate plus 1.4% to 2.5% per annum. The Company primarily use the proceeds of this loan to finance our land acquisition for the Taicang Project; and

- approximately 3% of the net proceeds, is expected to be used for working capital and general corporate purposes.

In 2018, approximately 26% of the net proceeds, or approximately HK$850.0 million, was used to repay part of our outstanding bank loan which was obtained in June 2018 in the amount of HK$2 billion. This loan was repayable at the end of loan tenor: up to 12 months of the first drawdown or one month after the Listing Date, whichever is earlier. Interest is charged at the Hong Kong Interbank Offered Rate plus 1.4% to 2.5% per annum. Other than the net IPO proceeds, we used the cash generated from operations to repay the rest of the outstanding bank loan. Except repayment of our outstanding loan, we haven't used the rest part of the net proceeds in 2018.

In 2019, (A) approximately 19% of the net proceeds was used to expand our existing business, including: (i) approximately RMB331.1million (HK$ 376.2 million) was used to further develop our resort business through renovating resorts, upgrading resort facilities, extending the capacities of our existing resorts, resort maintenance, opening of new resorts and developing digital technology infrastructure to implement our Happy digital strategy. Details of the resort capital expenditure are set out in page 10 and 11; (ii) approximately RMB116.2 million (HK$ 132.0 million) was used to further develop our tourism and leisure services and solutions, including platform for family-focused tourism and leisure, member loyalty programs, intelligent middle office platform, Miniversity, the resident Show C and Foryou Ski; (iii) approximately RMB 99.5 million(HK$113.0 million), was used to acquire Thomas Cook's right, title and interest in trademark, domain names, software application, social media accounts, licenses related to the brand and hotel brands of Casa Cook and Cooks Club, to further increase user base and develop broader distribution network leveraging the extensive brand awareness and profound influence of Thomas Cook brand.

(B) approximately 12% and 7% of the net proceeds, or approximately HK$381.5 million and HK$240.2 million, were used for the construction of the Taicang Project and Lijiang Project respectively, for payment of designing, planning, construction and procurement of construction materials.

(C) approximately 3% of the net proceeds was used for working capital and general corporate purposes, including: (i) approximately HK$57.1 million was used for IPO related corporate expenses; (ii) the rest of HK$41.0 million was used for headquarter payroll and related general corporate expenses payment.

As of 31 December 2019, approximately 33% of the IPO proceeds, or approximately HK$1,079.1 million net proceeds has not been utilized. The rest of the net proceeds is expected to be used in 2020 and 2021 for (i) the development of the Lijiang Project and Taicang Project, including designing, planning, construction and procurement of construction materials; and (ii) exploring new tourism destinations with valuable resources, especially those favored by Chinese customers, through cooperation with our various strategic business partners.

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB3.18 million.

FUTURE DEVELOPMENT OF THE GROUP

Future development of the Group is set out in the "Letter to Shareholders" and "Business Overview" in this annual report.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

AUDITORS

The financial statements of the Group were audited by Ernst & Young. Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On Behalf of the Board

Qian Jiannong
Chairman

17 March 2020

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To the board of directors of Fosun Tourism Group
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fosun Tourism Group (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 206, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB1,730,305,000 as at 31 December 2019. In accordance with IFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. In performing the impairment test, the goodwill has been allocated to the corresponding subsidiary acquired as the acquired subsidiary is the only cash-generating unit that can benefit from synergy of the acquisition. The impairment test is based on the recoverable amount of the acquired subsidiary to which the goodwill is allocated. The recoverable amount of the subsidiary is its value in use using cash flow projections based on a financial budget covering a 5-year period. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the growth rate beyond a 5-year period, with the assistance of internal valuation specialists. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of the acquired subsidiary to which the goodwill is allocated. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Impairment of the trademark with indefinite life	
The carrying value of the trademark with indefinite life in the consolidated financial statements amounted to RMB2,140,238,000 as at 31 December 2019. In accordance with IFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of the individual asset, which is its fair value less costs of disposal using the relief from royalty method. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 16 "Intangible Assets", which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and the royalty rate of the individual asset, with the assistance of internal valuation specialists. We paid attention to the revenue forecasts used by comparing the forecasts with historical performance. We also focused on the adequacy of the disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Initial application of IFRS16 Leases	
The Group applied IFRS 16 Leases as at 1 January 2019 using a modified approach. The Group recognised the right-of-use assets of RMB9,581,802,000 and the lease liabilities of RMB8,200,588,000 as at 1 January 2019 upon initial application. This matter was significant to our audit as the impact on the Group's consolidated financial statements was material and the determination of the carrying values of the right-of-use assets and the lease liabilities as at 1 January 2019 involved significant judgements and estimates, in particular, the lease terms and the incremental borrowing rates. The disclosures about the impact upon the initial application of IFRS 16 are included in note 2.2(a) "Changes in Accounting Policies and Disclosures", note 2.4 "Summary of Significant Accounting Policies", and note 3 "Significant Accounting Judgements and Estimates".	Our audit procedures included, among others, understanding the process used by the Group for the initial application of IFRS 16 and assessing the effectiveness of the internal controls over this process. We evaluated the Group's lease accounting policies that have been applied for the transition and initial application of IFRS 16. We assessed and reviewed the key judgements and estimates made by the management to determine the lease terms and the incremental borrowing rates used to calculate lease liabilities upon initial application of IFRS 16. We selected samples to corroborate the information used in the measurement of the right-of-use assets and the lease liabilities upon the initial application of IFRS 16 based on the underlying contractual documents and validated the calculation. We performed analytical procedures to assess the overall impact upon initial application of IFRS 16 with respect to our understanding of the Group and its activities. We also assessed the adequacy of the disclosures on the impacts of the initial application of IFRS 16.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants

Hong Kong
17 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**17,337,169**	16,269,819
Cost of revenue		**(11,798,444)**	(10,993,771)
Gross profit		**5,538,725**	5,276,048
Other (expenses)/income and gains, net	6	**(37,221)**	42,809
Selling and marketing expenses		**(2,230,897)**	(2,291,700)
General and administrative expenses		**(1,199,382)**	(1,285,322)
Operating profit		**2,071,225**	1,741,835
Finance costs	8	**(800,886)**	(436,905)
Share of profits and losses of:			
Joint ventures		**—**	(13,635)
Associates		**4,401**	2,093
PROFIT BEFORE INCOME TAX	7	**1,274,740**	1,293,388
Income tax expense	11	**(698,447)**	(904,267)
PROFIT FOR THE YEAR		**576,293**	389,121
Attributable to:			
Equity holders of the Company		**608,722**	308,441
Non-controlling interests		**(32,429)**	80,680
		576,293	389,121
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:	13		
Basic			
— For profit for the year (RMB)		**0.49**	0.31
Diluted			
— For profit for the year (RMB)		**0.49**	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**576,293**	389,121
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(51,419)**	34,116
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss	**(11,658)**	26,758
Exchange differences on translation of foreign operations	**28,149**	35,102
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(34,928)**	95,976
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial reserve relating to employee benefits	**(23,584)**	(106,078)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(509,121)**	(774,011)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(532,705)**	(880,089)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(567,633)**	(784,113)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**8,660**	(394,992)
Attributable to:		
Equity holders of the Company	**7,269**	(405,013)
Non-controlling interests	**1,391**	10,021
	8,660	(394,992)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**10,623,796**	10,153,134
Prepaid land lease payments	15(a)	**—**	1,339,883
Right-of-use assets	15(b)	**11,053,155**	—
Intangible assets	16	**2,756,705**	2,624,720
Goodwill	17	**1,730,305**	1,737,345
Investments in joint ventures	18	**—**	—
Investments in associates	19	**194,707**	158,586
Financial assets at fair value through profit or loss	20	**28,478**	363,845
Equity investments designated at fair value through other comprehensive income	20	**—**	309,438
Properties under development	21	**1,157,886**	1,124,014
Due from related companies	22	**6,874**	20,400
Prepayments, other receivables and other assets	23	**296,667**	1,556,763
Deferred tax assets	24	**294,351**	241,978
Total non-current assets		**28,142,924**	19,630,106
CURRENT ASSETS			
Inventories	25	**196,193**	178,640
Completed properties for sale	26	**462,497**	1,243,892
Properties under development	21	**779,956**	1,046,604
Trade receivables	27	**653,035**	772,353
Contract assets and other assets	28	**4,284**	59,313
Prepayments, other receivables and other assets	23	**2,059,455**	2,450,631
Due from related companies	22	**1,911,718**	1,933,349
Derivative financial instruments	29	**31,042**	54,664
Financial assets at fair value through profit or loss	20	**423,432**	—
Restricted cash	30	**9,690**	287,791
Cash and cash equivalents	30	**2,128,677**	1,874,998
Total current assets		**8,659,979**	9,902,235

Continued/…

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	2,038,170	752,377
Contract liabilities	32	1,175,498	4,434,605
Trade payables	33	1,708,988	1,870,767
Accrued liabilities and other payables	34	5,518,933	4,742,855
Lease liabilities	15	864,353	—
Tax payable		913,437	730,616
Finance lease payables	35	—	6,647
Due to related companies	22	66,546	1,975,348
Derivative financial instruments	29	99,706	49,516
Total current liabilities		12,385,631	14,562,731
NET CURRENT LIABILITIES		(3,725,652)	(4,660,496)
TOTAL ASSETS LESS CURRENT LIABILITIES		24,417,272	14,969,610
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	36	85,323	163,136
Convertible bonds	37	172,735	330,369
Lease liabilities	15	8,240,290	—
Interest-bearing bank borrowings	31	4,518,769	4,674,114
Finance lease payables	15	—	73,372
Deferred income	38	113,521	120,720
Due to related companies	22	1,821,347	—
Other long term payables	39	432,514	589,646
Deferred tax liabilities	24	602,897	703,055
Total non-current liabilities		15,987,396	6,654,412
Net assets		8,429,876	8,315,198
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	40	183	174
Shares held for the share-based payment schemes		(3,004)	—
Reserves	41	8,132,384	8,036,866
		8,129,563	8,037,040
Non-controlling interests		300,313	278,158
Total equity		8,429,876	8,315,198

Qian Jiannong
Director

Wang Wenping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Year ended 31 December 2019

		Attributable to equity holders of the Company											
	Notes	Issued share capital RMB'000	Shares held for the share-based payment schemes RMB'000	Share premium* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve* RMB'000	Capital and other reserve* RMB'000	Merger reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019		174	—	11,086,016	7,384	(768,932)	(762,504)	(159,274)	(369,263)	(996,561)	8,037,040	278,158	8,315,198
Profit for the year		—	—	—	—	—	—	—	—	608,722	608,722	(32,429)	576,293
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		—	—	—	—	(503,733)	—	—	—	—	(503,733)	(5,388)	(509,121)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	(22,258)	—	(22,258)	50,407	28,149
Cash flow hedges, net of tax		—	—	—	—	—	(55,570)	—	—	—	(55,570)	(7,507)	(63,077)
Actuarial reserve relating to employee benefits, net of tax		—	—	—	—	—	(19,892)	—	—	—	(19,892)	(3,692)	(23,584)
Total comprehensive income for the year		—	—	—	—	(503,733)	(75,462)	—	(22,258)	608,722	7,269	1,391	8,660
2019 interim dividend		—	—	(77,922)	—	—	—	—	—	—	(77,922)	—	(77,922)
Issue of shares due to the exercise of the over-allotment option	40(iv)	8	—	137,188	—	—	—	—	—	—	137,196	—	137,196
Dividends paid to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	—	(44,836)	(44,836)
Equity-settled share-based payments	40(v)	1	—	22,928	—	—	45,864	—	—	—	68,793	—	68,793
Acquisition of additional interests in subsidiaries		—	—	—	(7,384)	(7,253)	(109,371)	—	(14,047)	7,384	(130,671)	98,346	(32,325)
Shares held for the share-based payment scheme		—	(3,004)	—	—	—	—	—	—	—	(3,004)	—	(3,004)
Reclassification of non-controlling interests to liabilities as if the acquisition has taken place due to put options granted to non-controlling shareholders of a subsidiary		—	—	—	—	—	90,862	—	—	—	90,862	(32,746)	58,116
At 31 December 2019		183	(3,004)	11,168,210	—	(1,279,918)	(810,611)	(159,274)	(405,568)	(380,455)	8,129,563	300,313	8,429,876

* These reserve accounts comprise the consolidated reserves of RMB8,132,384,000 in the consolidated statement of financial position as at 31 December 2019 (31 December 2018: RMB8,036,866,000).

Year ended 31 December 2018

		Attributable to equity holders of the Company										
	Notes	Issued share capital RMB'000	Share premium* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve* RMB'000	Capital and other reserve* RMB'000	Merger reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018		—	6,816,506	—	(12,257)	(404,847)	(157,474)	(326,820)	(1,297,618)	4,617,490	(70,001)	4,547,489
Profit for the year		—	—	—	—	—	—	—	308,441	308,441	80,680	389,121
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		—	—	—	(726,458)	—	—	—	—	(726,458)	(47,553)	(774,011)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	52,079	—	52,079	(16,977)	35,102
Cash flow hedges, net of tax		—	—	—	—	52,619	—	—	—	52,619	8,255	60,874
Actuarial reserve relating to employee benefits, net of tax		—	—	—	—	(91,694)	—	—	—	(91,694)	(14,384)	(106,078)
Total comprehensive loss for the year		—	—	—	(726,458)	(39,075)	—	52,079	308,441	(405,013)	10,021	(394,992)
Issue of shares	40(i)	—	1,346,426	—	—	—	—	—	—	1,346,426	—	1,346,426
Net issues of restricted shares under the share ownership plan	40(ii)	7	93,101	—	—	(27,070)	—	—	—	66,038	—	66,038
Issue of shares from initial public offering	40(iii)	167	2,829,983	—	—	—	—	—	—	2,830,150	—	2,830,150
Dividends paid to non-controlling shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(20,966)	(20,966)
Deemed contribution from the Controlling Shareholder		—	—	—	—	—	1,000	—	—	1,000	—	1,000
Capital contribution from the ultimate controlling shareholder		—	—	—	—	—	—	—	—	—	5,773	5,773
Transferred from retained profits		—	—	7,384	—	—	—	—	(7,384)	—	—	—
Equity-settled share-based payments	42	—	—	—	—	101,788	—	—	—	101,788	2,436	104,224
Acquisition of additional interests in subsidiaries		—	—	—	(30,217)	(197,313)	—	(94,522)	—	(322,052)	319,867	(2,185)
Deemed distribution to the ultimate controlling shareholder		—	—	—	—	—	(2,800)	—	—	(2,800)	—	(2,800)
Reclassification of non-controlling interests to liabilities as if the acquisition has taken place due to put options granted to non-controlling shareholders of a subsidiary		—	—	—	—	(195,987)	—	—	—	(195,987)	31,028	(164,959)
At 31 December 2018		174	11,086,016	7,384	(768,932)	(762,504)	(159,274)	(369,263)	(996,561)	8,037,040	278,158	8,315,198

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**1,274,740**	1,293,388
Adjustments for:			
Depreciation of items of property, plant and equipment	7	**752,298**	654,454
Depreciation of right-of-use assets/recognition of prepaid land lease payments	7	**1,074,614**	22,170
Amortisation of intangible assets	7	**118,157**	94,423
Provision for impairment of items of property, plant and equipment	7	**6,244**	46,532
Provision for impairment of intangible assets	7	**—**	18,287
Provision for impairment of trade receivables	7	**13,886**	7,695
Provision for impairment of prepayments, other receivables and other assets	7	**13,190**	645
Provision for inventories	7	**2,561**	2,296
Deferred income	38	**(7,230)**	(7,771)
Loss/(gain) on the fair value change of financial assets at fair value through profit or loss	6	**17,890**	(9,569)
Interest income	6	**(24,602)**	(23,053)
Interest expenses	8	**800,886**	436,905
Gain on disposal of items of property, plant and equipment	6	**(3,489)**	(35,318)
Gain on disposal of intangible assets	6	**—**	(2,703)
Loss on fair value adjustment on derivative financial instruments	7	**—**	90
Gain on disposal of an associate	6	**—**	(50,274)
Equity-settled share-based payments	7	**68,147**	104,224
Listing expenses	7	**—**	56,142
Share of profits and losses of joint ventures		**—**	13,635
Share of profits and losses of associates		**(4,401)**	(2,093)
CASH INFLOWS BEFORE WORKING CAPITAL CHANGES		**4,102,891**	2,620,105

Continued/…

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Decrease/(increase) in completed properties for sale		781,395	(1,216,311)
Decrease in properties under development		654,159	849,837
Increase in inventories		(20,160)	(29,837)
Increase in deferred income	38	370	—
Decrease in contract assets and other assets		55,029	43,888
Decrease in trade receivables		105,378	209,794
Decrease/(increase) in prepayments, other receivables and other assets		5,680	(491,675)
Decrease in restricted cash		278,101	352,659
Increase in amounts due from related companies		(10,637)	(6,810)
(Decrease)/increase in trade payables		(143,882)	626,703
Increase in amounts due to related companies		12,441	35,614
Increase in other long term payables		18,959	8,554
Decrease in contract liabilities		(3,327,049)	(2,313,113)
Increase in other payables and accruals		594,828	345,628
CASH GENERATED FROM OPERATIONS		3,107,503	1,035,036
Income tax paid		(512,778)	(397,946)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		2,594,725	637,090

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(974,612)**	(1,232,676)
Purchase of intangible assets		**(319,705)**	(232,228)
Prepayment for the addition of right-of-use assets		**(13,474)**	—
Purchase of investments designated at fair value through profit or loss		**(107,298)**	(355,431)
Purchase of investments at fair value through other comprehensive income		**(200,754)**	(239,060)
Increase of prepaid land lease payments		**—**	(1,323,249)
Proceeds from disposal of intangible assets		**6,108**	22,731
Proceeds from disposal of items of property, plant and equipment		**10,600**	100,387
Investment in joint ventures		**—**	(10,200)
Proceeds from disposal of investments in an associate		**—**	82,386
Purchase of equity interests in associates		**(24,628)**	(8,014)
Proceeds from disposal of financial assets at fair value through profit or loss		**5,642**	141,616
Government grant received related to items of property, plant and equipment		**—**	6,381
Loan to a related party		**—**	(20,400)
Proceeds received from a third party		**70,000**	—
Repayment of loan receivables from the third party		**3,396**	—
Interest received		**24,602**	17,070
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,520,123)**	(3,050,687)

Continued/…

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of subsidiaries		—	5,773
Deemed contribution from subsidiaries of the ultimate controlling shareholder		—	1,000
Deemed contribution to subsidiaries of the ultimate controlling shareholder		—	(2,800)
New interest-bearing bank borrowings		3,486,892	2,674,819
Repayment of interest-bearing bank borrowings		(2,367,526)	(2,873,941)
Net proceeds from issue of shares under initial public offering		—	2,841,818
Net proceeds from issue of shares due to the exercise of the over-allotment option		137,672	—
Issue of restricted shares under the share ownership plan		—	66,038
Proceeds from issue of shares of the Company due to the exercise of the share options		646	—
Purchase of shares for share option scheme		(3,004)	—
Payment of listing expenses		(46,705)	(16,430)
Payment of lease liabilities	15(c)	(1,272,408)	—
Redemption of convertible bonds	37	(176,838)	(73,001)
Redemption of preference shares	36	(87,350)	(36,074)
Acquisition of additional interests in subsidiaries		(32,325)	(2,185)
Funding repaid or provided to related companies		(60,175)	(2,368,336)
Funding received from related companies		1,662	3,421,933
Dividends paid to shareholders of the Company		(77,922)	—
Dividends paid to non-controlling shareholders of subsidiaries		(29,205)	(20,966)
Interest paid		(302,232)	(339,820)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(828,818)	3,277,828
NET INCREASE IN CASH AND CASH EQUIVALENTS		245,784	864,231
Net foreign exchange differences		7,895	21,044
Cash and cash equivalents at beginning of the year		1,874,998	989,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	2,128,677	1,874,998

1. CORPORATE AND GROUP INFORMATION

Fosun Tourism Group (the "Company", formerly known as Fosun Tourism and Culture Group (Cayman) Company Limited) was a limited liability company incorporated in the Cayman Islands on 30 September 2016. The registered company name was changed to Fosun Tourism Group on 2 August 2018. The registered address of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P. O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. During the year, the Group primarily engaged in the provision of pioneering and family-focused tourism and leisure solutions. The principal business activities are:

- Resorts
- Tourism destinations, and
- Services and solutions in various tourism and leisure settings

In the opinion of the directors, the holding company and the controlling share-holder of the Company is Fosun International Limited (the "Controlling Shareholder"), which is incorporated in Hong Kong. The ultimate holding company of the Company is Fosun International Holdings Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of the principal subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hainan Atlantis Commerce and Tourism Development Co., Ltd. (海南亞特蘭蒂斯商旅發展有限公司)	People's Republic of China/Chinese Mainland	15 May 2013	RMB801,500,000	—	100%	Tourism destination development and operation
Club Med Holding	France	9 September 2014	EUR67,136,345	—	90.09%	Investment holding
Club Med Invest	France	9 September 2014	EUR184,963,519	—	100%	Investment holding
Club Med SAS	France	12 November 1957	EUR149,704,872	—	100%	Offering vacation resort services
Club Mediterranee (Bahamas) Ltd.	Bahamas	29 January 1976	USD1,000,000	—	100%	Offering vacation resort services
Holiday Village of Punta Cana S.A.	The Dominican Republic	3 December 1976	RD13,838,000	—	100%	Offering vacation resort services
Club Med Sales Inc.	United States	15 October 1971	USD5,000,000	—	100%	Wholesale and retail of Club Med products
Operadora de Aldeas Vacacionales, S.A. de C.V.	Mexico	11 April 1979	MXN838,612,990	—	100%	Offering vacation resort services

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Holiday Villages management Services Ltd.	Mauritius	26 May 1983	MUR30,000,000	—	100%	Offering vacation resort services
Itaparica SA Empreendimentos Turisticos	Brasil	19 November 1973	BRL18,120,000	—	51.60%	Offering vacation resort services
Club Med Brasil SA	Brasil	24 February 1999	BRL198,237,398	—	100%	Offering vacation resort services
Shanghai Club Med Holidays Travel Agency Co Ltd (上海客美德假期旅行社有限公司)	People's Republic of China/Chinese Mainland	28 October 2010	EUR1,000,000	—	100%	Wholesale and retail of Club Med products
Club Mediterranee KK	Japan	01 June 1979	JPY80,000,000	—	100%	Wholesale and retail of Club Med products
Vacances Singapore Pte Ltd EUR	Singapour	28 March 1990	EUR478,000	—	100%	Offering other services
Club Med Sales Canada Inc.	Canada	12 June 1996	CAD250,000	—	100%	Wholesale and retail of Club Med products
Club Med Management Services Inc.	United States	27 October 1987	USD100	—	100%	Offering other services
Sandpiper Resort Properties Inc/srp	United States	5 October 1993	USD5	—	100%	Real estate
Villa Playa Blanca SA	Mexico	1 July 1973	MXN374,767,540	—	100%	Real estate
Cancun Property SRL	Mexico	29 June 1994	MXN75,486,464	—	100%	Real estate
Holiday Villages Providenciales Turks & Caicos Ltd	Turks & Caicos	11 February 1980	USD2,000,000	—	100%	Offering vacation resort services
Club Med Ferias	France/South America	25 October 2007	EUR150,000	—	100%	Wholesale and retail of Club Med products
Club Med Vacation LLC	United States	16 April 2019	USD100	—	100%	Wholesale and retail of Club Med products
Lijiang Fosun Tourism and Culture Development Co. Ltd. (麗江複星旅游文化發展有限公司) (formerly known as Lijiang Derun Real Estate Co., Ltd. (麗江德潤房地產開發有限公司)) ("Lijiang Fosun")	People's Republic of China/Chinese Mainland	2 March 2006	RMB10,000,000	—	100%	Tourism destination development and operation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of the principal subsidiaries	Place of incorporation/ registration and place of operations	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Yueou (Taicang) Tourism and Culture Development Co., Ltd. (悦歐(太倉)旅游文化開發有限公司)	People's Republic of China/Chinese Mainland	29 June 2018	RMB360,000,000	—	100%	Tourism destination development and operation
Yuexue (Taicang) Tourism and Culture Development Co., Ltd. (悦雪(太倉)旅游文化開發有限公司)* ("Yuexue Tourism")	People's Republic of China/Chinese Mainland	7 June 2018	RMB255,000,000/ RMB510,000,000	—	100%	Tourism destination development and operation
Yuezhou (Taicang) Tourism and Culture Development Co., Ltd. (悦洲(太倉)旅游文化開發有限公司)	People's Republic of China/Chinese Mainland	7 June 2018	RMB160,000,000	—	100%	Tourism destination development and operation
Yuehao (Taicang) Tourism and Culture Development Co., Ltd. (悦浩(太倉)旅游文化開發有限公司)	People's Republic of China/Chinese Mainland	29 June 2018	RMB272,000,000	-	100%	Tourism destination development and operation

* In October 2018, the Group raised the registered capital of Yuexue Tourism to RMB510,000,000. As at 31 December 2019, the share capital has not been paid up yet.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting standards, International Accounting Standards and interpretations ("IASs")) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and a defined benefit plan. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of RMB3,725,652,000 as at 31 December 2019. Having taken into account the unused banking facilities, the expected cash flows from operating and financing activities and the fact that the contract liabilities included in current liabilities in the amount of RMB1,175,498,000 at 31 December 2019 which will be recognised as revenue and not result in cash outflows in the next twelve months from the end of the year, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The main nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee — Leases previously classified as operating leases

NATURE OF THE EFFECT OF ADOPTION OF IFRS 16

The Group has lease contracts for various items of buildings, machinery and furniture, fixtures and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

IMPACTS ON TRANSITION

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB68,260,000 that were re-classified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	9,581,802
Decrease in property, plant and equipment	(68,260)
Decrease in intangible assets	(65,964)
Decrease in prepaid land lease payments	(1,339,883)
Decrease in the current portion of prepaid land lease payments in prepayments, other receivables and other assets	(34,663)
Decrease in prepayments, other receivables and other assets	(165,933)
Increase in total assets	7,907,099
Liabilities	
Increase in lease liabilities	8,200,588
Decrease in trade payables	(17,897)
Decrease in accrued liabilities and other payables	(1,988)
Decrease in other long-term payables	(193,585)
Decrease in finance lease payables	(80,019)
Increase in total liabilities	7,907,099

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee — Leases previously classified as finance leases *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	13,853,114
Less: Operating lease commitments for signed lease contracts of which the lease terms have not started at 1 January 2019	(3,297,560)
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value leases	(10,158)
Add: Payments for optional extension periods not recognised as at 31 December 2018	570,342
Operating lease commitments as at 31 December 2018	11,115,738
Weighted average incremental borrowing rate as at 1 January 2019	5.77%
Discounted operating lease commitments as at 1 January 2019	8,120,569
Add: Finance lease liabilities recognised as at 31 December 2018	80,019
Lease liabilities as at 1 January 2019	**8,200,588**

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any significant impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining a liability as non-current. The amendments states that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date, and the classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual periods beginning on or after 1 January 2022 and the amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investments at fair value and its derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, completed properties for sales, contract assets, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and leasehold improvements	2%–50%
Machinery	5%–10%
Furniture, fixtures and other equipment	3%–33%
Others	20%–33%
Freehold land	Not depreciated
Construction in progress	Not depreciated

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

TRADEMARK

The trademark has been classified as an asset with an indefinite useful life. It is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful live of such intangible asset is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis. The trademarks of the Group are the trademark of Club Med which arose from the acquisition of Club Med SAS and its subsidiaries in 2015 and the brand of Thomas Cook which was acquired in November 2019.

OTHER INTANGIBLE ASSETS

Other intangible assets are qualified as having a finite life and are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives. The principal annual rates used for this purpose are as follows:

Software	4%–33%
Others	10%–33%

The annual rates for software are determined in accordance with the useful lives of the software which are assessed by Group considering different purposes and usages of the software. The software served as basement IT system or technological platform is amortised over a long period up to 26 years. Other software served as fast updating applications is amortised over a shorter period, such as 3 to 5 years.

Others mainly include the show right which represents the resident Show C developed by the Group and started to perform in Atlantis Sanya in February 2019 and certain client lists acquired under business combinations and some rights paid to enter contracts other than leases. They are either depreciated over the estimated useful life of the Show, the clients' relationship or the contract duration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

GROUP AS A LESSEE

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(A) RIGHT-OF-USE ASSETS

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	40 to 50 years
Buildings	2 to 50 years
Machinery	2 to 10 years
Furniture, fixtures and other equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories".

(B) LEASE LIABILITIES

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

GROUP AS A LESSEE *(Continued)*

(C) SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of furniture, fixtures and other equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for "Revenue recognition".

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial assets depends on their classification as follows:

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (DEBT INSTRUMENTS)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (EQUITY INVESTMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

GENERAL APPROACH

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

GENERAL APPROACH *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets and other assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to life-time ECLs

SIMPLIFIED APPROACH

For trade receivables and contract assets and other assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, lease liabilities, amounts due to related companies, interest-bearing bank borrowings, and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

SUBSEQUENT MEASUREMENT

The measurement of financial liabilities depends on their classification as described below:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

FINANCIAL LIABILITIES AT AMORTISED COST (LOANS AND BORROWINGS)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortisation is included as finance costs in the statement of profit or loss.

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

CONVERTIBLE BONDS

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

SUBSEQUENT MEASUREMENT *(Continued)*

CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Convertible redeemable preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The Group elected to continue to apply the accounting policy of hedge accounting under IAS 39. For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT *(Continued)*

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout each reporting period for which they were designated.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

FAIR VALUE HEDGES

The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as other expenses or other income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge which is recorded in capital and other reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development are stated at cost which includes all development expenditures, including land costs, construction costs, borrowing costs and other costs directly attributable to such properties during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the end of each reporting period and any excess of cost over the net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Completed properties for sale

Completed properties for sale are recognised in the consolidated statement of financial position at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Any excess of cost over the net realisable value of an individual item of completed properties for sale is accounted for as a provision.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred in-come account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

RESORTS AND DESTINATION OPERATION

Resorts and destination operation mainly includes the operations of resorts and the provision of tourism destination design, operation and management services. The revenue is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

TOURISM AND LEISURE SERVICES AND SOLUTIONS

Tourism and leisure services and solutions mainly include the provision of travel and transportation solutions, entertainment and other services. The revenue is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

For property development and sale contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

REVENUE FROM OTHER SOURCES

OTHER INCOME

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Customer loyalty program

The Group operates two loyalty programs which are Club Med Great Member loyalty program and Foryou Club. A performance obligation is identified only if the option to acquire additional goods and services provides a material right to the customer that it would not receive without entering into that contract. For such contracts, the Group allocates contract price to those separate performance obligations attributed to the benefits granted to the customers under the two loyalty programs. A portion of the contract price attributable to the benefits granted is recognised as a reduction of revenue in deferred revenue and is recognised in revenues when those benefits are exercised or when the benefits expire. The revenue allocated to each performance obligation is calculated based on their relative stand-alone selling price. The Group generally determines stand-alone selling prices based on the prices charged to customers. If the stand-alone selling price is not directly observable, it is estimated using other suitable methods. The likelihood that the benefits will be exercised is assessed and adjusted for the estimation of the standalone selling price.

Share-based payments

The Company operates a share option scheme and a share ownership plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of options under the share option scheme is determined by management using a binomial model. The fair value of restricted shares under the share ownership plan is determined by management using an asset-based approach, further details of which are given in note 42 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

The Group provides the post-employment benefits mainly as follows: (i) defined contribution pension schemes for all employees of the companies in Chinese Mainland; (ii) accommodation benefits for all eligible employees of the companies in Chinese Mainland, details of which are set out below; and (iii) employee benefits to all eligible employees of the subsidiaries of Club Med Holding ("CMH").

(I) DEFINED CONTRIBUTION PENSION SCHEMES FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN CHINESE MAINLAND

The full-time employees of the companies in Chinese Mainland, are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

(II) ACCOMMODATION BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF THE COMPANIES IN CHINESE MAINLAND

According to the relevant People's Republic of China ("PRC") rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by the government agencies are charged to the consolidated statement of profit or loss as and when they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(III) EMPLOYEE BENEFITS FOR ALL ELIGIBLE EMPLOYEES OF CMH AND ITS SUBSIDIARIES

All eligible employees of CMH and its subsidiaries receive certain short-term benefits, such as vacation pay, "13th-month" bonuses, sick leave, health insurance and unemployment insurance in France.

The post-employment benefit plans of CMH and its subsidiaries are based on legal obligations in each host country and on its subsidiaries' compensation policies. Long-term benefit plans include both defined contribution and defined benefit plans.

(A) DEFINED CONTRIBUTION PLANS

Under defined contribution plans, CMH pays contributions to an external fund that is responsible for paying the benefits. The payment of contributions releases the employer from its further obligation towards his employees. The main defined contribution plans consist of government-sponsored basic and supplementary pension plans in Europe and defined-contribution pension plans in North America.

Contributions to all of these plans are recognised as an expense for the period in which they are incurred.

(B) DEFINED BENEFIT PLANS

CMH has an obligation to pay benefits to eligible employees either at the end of their employment or during their retirement. The Group's main defined benefit plans provide indemnities payable to employees on retirement or when they leave the Group.

The Group operates an unfunded defined benefit pension plan, which is covered by provisions recorded in the financial statements. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from a defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

(i) the date of the plan amendment or curtailment; and

(ii) the date that the Group recognises restructuring-related costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" and "other expenses" in the consolidated statement of profit or loss by function:

(i) service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

(ii) interest expense or income

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 12 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net in-vestment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group has a lease contract that includes extension option. The Group applies judgement in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the extension period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period for 5 years and there will be a significant negative effect on production if a replacement is not readily available.

WITHHOLDING TAX ARISING FROM THE DISTRIBUTION OF DIVIDENDS

Deferred tax liabilities are recognised for withholding corporate income taxes arising from the distributions of dividends from certain subsidiaries of the Group according to the relevant tax jurisdictions. Significant management judgement is required to determine whether to recognise such deferred tax liabilities based upon the plan of the dividend distribution from these subsidiaries in the foreseeable future. The management considers that those subsidiaries are not probable to make any profit distribution in the foreseeable future. Accordingly no provision for the withholding tax has been made as at 31 December 2019.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Judgements *(Continued)*

CONSOLIDATION OF LIJIANG FOSUN IN WHICH THE GROUP DELEGATES CERTAIN SHARE-HOLDER RIGHTS TO SHANGHAI YUYUAN TOURIST MART CO., LTD. ("YUYUAN")

Qijin Investment, a subsidiary of the Group, which is the sole shareholder of Lijiang Fosun, entered into an equity entrustment agreement with Yuyuan on 20 November 2017 (the "Equity Entrustment Agreement"), pursuant to which, Yuyuan is entrusted by Qijin Investment with certain shareholder rights of Lijiang Fosun such as decision-making rights, voting rights and the right to appoint directors, rather than the right to dispose of any equity interests of Lijiang Fosun and share all variable returns generated by Lijiang Fosun. The Equity Entrustment Agreement became effective on 11 May 2018 with the term of 2 years since the effective date.

The Group considers that it controls Lijian Fosun even though Qijin Investment delegates certain shareholder rights in Lijiang Fosun to Yuyuan on 11 May 2018 because Qijin Investment is entitled to all the variable returns of Lijiang Fosun and the right to dispose any equity interest of Lijiang Fosun and all day-to-day operations of Lijiang Fosun are continued to be managed by the management team appointed by the Group from the effective date of the Equity Entrustment Agreement till the end of the reporting period. In addition, Yuyuan will not charge any service fee for the entrustment service but only reimburse the actual costs occurred in respect of the service, which also indicated that Yuyuan does not have any incentive and intention to direct any relevant activities of Lijiang Fosun through its shareholders rights granted by Qijin Investment.

As a result of the rights to variable returns of Lijiang Fosun from the Group's involvement in it and with the Group's ability to affect those returns through its power over Lijiang Fosun, Lijiang Fosun was continued to be consolidated by the Group as a principal from the effective date of the Equity Entrustment Agreement till the end of the year.

REVENUE RECOGNITION OF TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICE

Revenue from tourism-related property sales and construction service during the year is recognised over time when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. Assessing whether the Group could recognise revenue from tourism-related property sales and construction services over time requires significant judgement which includes the assessment of the legal terms in the sales contracts.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB1,730,305,000 (31 December 2018: RMB1,737,345,000). Further details are given in note 17 to the financial statements.

IMPAIRMENT OF THE INTANGIBLE ASSETS WITH INDEFINITE LIFE

The Group determines whether the intangible assets with indefinite life are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the individual asset. An asset's recoverable amount is the fair value less costs of disposal using the relief from royalty method. The carrying amount of the trademark with indefinite life at 31 December 2019 was RMB2,140,238,000 (31 December 2018: RMB2,046,576,000). Further details are given in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the year. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

For the year ended 31 December 2019, impairment losses on intangible assets and property, plant and equipment in the amount of RMB6,244,000 (2018: RMB64,819,000) have been recognised in profit or loss as set out in note 7 to the financial statements.

PROVISION FOR EXPECTED CREDIT LOSSES ON TRADE RECEIVABLES

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due.

The approach is initially based on the Group's historical observed default rates. The Group will calibrate the approach to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 27 to the financial statements.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (OTHER THAN GOODWILL)

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge or amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2019 was RMB4,142,042,000 (31 December 2018: RMB4,273,160,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation uncertainty *(Continued)*

NET REALISABLE VALUE OF INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPETED PROPERTIES FOR SALE

Net realisable value of inventories, properties under development and completed properties for sale is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the year.

REVENUE RECOGNITION OVER TIME OF TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES

The revenue from tourism-related property sales and construction services over time is recognised by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

PRC LAND APPRECIATION TAX ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

LEASES — ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The resorts segment which comprises principally the operation and management of the resorts which offer vacation resort services at a package rate;

(b) The tourism destinations segment which comprises principally the development, management and operation of tourism resources and tourism vacation facilities and facilities directly and indirectly supporting tourism; and

(c) The services and solutions in various tourism and leisure settings segment which comprises principally the development and promotion of the cultural events, performing arts, live entertainment and culture-related services and the operation of online and offline tourism and leisure products and solution platforms.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profits which are calculated based on gross profit less other income and gains, other expenses, selling and marketing expenses and general and administrative expenses. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2019

	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)					
External customers	12,450,781	4,691,729	194,659	—	17,337,169
Inter-segment sales	61,919	91,277	8,892	(162,088)	—
Total revenue	12,512,700	4,783,006	203,551	(162,088)	17,337,169
Segment operating profit/(loss)	643,049	1,656,201	(63,676)	—	2,235,574
Unallocated expenses*					(164,349)
Total operating profit					2,071,225
Finance costs					(800,886)
Share of profits and losses of associates					4,401
Profit before income tax					1,274,740

* The unallocated expenses for the year ended 31 December 2019 mainly represented the equity-settled share-based payment expenses and other employee benefit expenses.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018

	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5)					
External customers	12,005,592	4,135,251	128,976	—	16,269,819
Inter-segment sales	11,421	29,875	5,154	(46,450)	—
Total revenue	12,017,013	4,165,126	134,130	(46,450)	16,269,819
Segment operating profit/(loss)	446,026	1,557,776	(52,998)	—	1,950,804
Unallocated expenses*					(208,969)
Total operating profit					1,741,835
Finance costs					(436,905)
Share of profits and losses of joint ventures					(13,635)
Share of profits and losses of associates					2,093
Profit before income tax					1,293,388

* The unallocated expenses for the year ended 31 December 2018 mainly represented the equity-settled share-based payment expenses, listing expenses and other employee benefit expenses.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	2019 RMB'000	2018 RMB'000
Revenue from external customers		
Europe, Middle East and Africa	8,278,653	8,074,476
America	2,408,236	2,198,692
Asia Pacific	6,650,280	5,996,651
	17,337,169	16,269,819

The revenue information above is based on the locations of customers.

	2019 RMB'000	2018 RMB'000
Non-current assets		
Europe, Middle East and Africa	12,437,408	5,987,058
America	4,609,088	3,300,219
Asia Pacific	10,475,770	9,125,827
	27,522,266	18,413,104

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and amounts due from related companies.

Information about a major customer

No revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer for the year ended 31 December 2019 (2018: nil).

5. REVENUE

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Resorts and destination operation	11,260,192	10,426,589
Tourism-related property sales and construction services	3,493,780	3,443,894
Tourism and leisure services and solutions	2,583,197	2,399,336
	17,337,169	16,269,819

(i) Disaggregated revenue information

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Type of goods or services					
Resorts and destination operation	10,045,083	1,368,305	—	(153,196)	11,260,192
Tourism-related property sales and construction services	79,079	3,414,701	—	—	3,493,780
Tourism and leisure services and solutions	2,388,538	—	203,551	(8,892)	2,583,197
	12,512,700	4,783,006	203,551	(162,088)	17,337,169
Inter-segment sales	(61,919)	(91,277)	(8,892)	162,088	—
Total revenue from contracts with customers	12,450,781	4,691,729	194,659	—	17,337,169
Timing of revenue recognition					
Goods transferred at a point in time	—	3,414,701	—	—	3,414,701
Services rendered over time	12,512,700	1,368,305	203,551	(162,088)	13,922,468
	12,512,700	4,783,006	203,551	(162,088)	17,337,169
Inter-segment sales	(61,919)	(91,277)	(8,892)	162,088	—
Total revenue from contracts with customers	12,450,781	4,691,729	194,659	—	17,337,169

5. REVENUE *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2018

Segments	Resorts RMB'000	Tourism destinations RMB'000	Services and solutions in various tourism and leisure settings RMB'000	Eliminations RMB'000	Total RMB'000
Type of goods or services					
Resorts and destination operation	9,696,020	771,865	—	(41,296)	10,426,589
Tourism-related property sales and construction services	50,633	3,393,261	—	—	3,443,894
Tourism and leisure services and solutions	2,270,360	—	134,130	(5,154)	2,399,336
	12,017,013	4,165,126	134,130	(46,450)	16,269,819
Inter-segment sales	(11,421)	(29,875)	(5,154)	46,450	—
Total revenue from contracts with customers	12,005,592	4,135,251	128,976	—	16,269,819
Timing of revenue recognition					
Goods transferred at a point in time	—	3,393,261	—	—	3,393,261
Services transferred over time	12,017,013	771,865	134,130	(46,450)	12,876,558
	12,017,013	4,165,126	134,130	(46,450)	16,269,819
Inter-segment sales	(11,421)	(29,875)	(5,154)	46,450	—
Total revenue from contracts with customers	12,005,592	4,135,251	128,976	—	16,269,819

5. REVENUE *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

RESORTS AND DESTINATION SERVICE, TOURISM AND LEISURE SERVICES AND SOLUTIONS

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

TOURISM-RELATED PROPERTY SALES AND CONSTRUCTION SERVICES

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

6. OTHER (EXPENSES)/INCOME AND GAINS, NET

An analysis of other income and gains, net of other expenses, is as follows:

	2019	2018
	RMB'000	RMB'000
Other income		
Interest income	**24,602**	23,053
Government grants	**36,005**	23,269
Compensation and indemnity	**13,136**	8,671
Others	**30,352**	16,232
	104,095	71,225
Gains		
Gain on disposal of:		
— *An associate*	**—**	*50,274*
Gain on disposal of items of property, plant and equipment	**3,489**	35,318
Gain on disposal of items of intangible assets	**—**	2,703
Gain on the fair value change of financial assets at fair value through profit or loss	**—**	9,569
Gain on reversal of provisions relating to		
— *Resort closure costs*	***1,829***	*27,261*
— *Litigation claims*	***29,205***	*89,048*
Exchange gain, net	**38,902**	—
	73,425	214,173
Other income and gains	**177,520**	285,398

6. OTHER (EXPENSES)/INCOME AND GAINS, NET *(Continued)*

	2019 **RMB'000**	2018 RMB'000
Other expenses		
Compensation costs relating to employees	**(50,073)**	(57,973)
Provision for litigation, including tax related	**(33,626)**	(40,440)
Provision for resort closure costs	**(48,013)**	(38,989)
Loss on the fair value change of financial assets at fair value through profit or loss	**(17,890)**	—
Impairment losses on:		
— *Prepayments*	***(12,600)***	—
— *Intangible assets*	**—**	*(18,287)*
— *property, plant and equipment*	***(6,244)***	*(46,532)*
Exchange loss, net	**—**	(2,649)
Others	**(46,295)**	(37,719)
Other expenses	**(214,741)**	(242,589)
Other (expenses)/income and gains, net	**(37,221)**	42,809

7. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of revenue:			
Cost of resorts and destination operation services and tourism and leisure services provided		**9,877,656**	9,560,478
Cost of tourism-related property sales and construction services		**1,920,788**	1,433,293
		11,798,444	10,993,771
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**2,819,670**	2,665,444
Accommodation benefits and others			
— *Defined contribution fund*		***462,469***	*427,693*
Pension scheme costs:			
— *Defined benefit fund*		***35,110***	*19,622*
— *Defined contribution fund*		***131,522***	*155,363*
Equity-settled share-based payment expenses		**68,147**	104,224
		3,516,918	3,372,346
Listing expenses (including reporting accountants' fee)		**—**	56,142
Auditor's remuneration		**3,900**	2,880
Depreciation of property, plant and equipment	14	**752,298**	654,454
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	15(a), (b)	**1,074,614**	22,170
Amortisation of intangible assets	16	**118,157**	94,423
Impairment of financial and contract assets and other assets:			
Impairment of trade receivables	*27*	***13,886***	*7,695*
Impairment of financial assets included in prepayments, other receivables and other assets		***13,190***	*645*
Provision for inventories		**2,561**	2,296
Provision for impairment of items of property, plant and equipment	6	**6,244**	46,532
Provision for impairment of intangible assets	6	**—**	18,287
Fair value loss/(gain) on financial assets at fair value through profit or loss	6	**17,890**	(9,569)
Fair value loss on derivative instruments, net		**—**	90
Minimum lease payments under operating leases		**—**	1,402,852
Lease payments not included in the measurement of lease liabilities	15(d)	**165,766**	—
Exchange (gain)/loss, net	6	**(38,902)**	2,649
Gain on disposal of investments in an associate	6	**—**	(50,274)
Gain on disposal of items of property, plant and equipment	6	**(3,489)**	(35,318)
Gain on disposal of items of intangible assets	6	**—**	(2,703)

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	290,718	334,668
Interest on loans from related companies	360	360
Interest expense arising from revenue contracts	67,942	174,393
Interest on convertible bonds (note 37)	22,780	45,545
Interest on convertible redeemable preferred shares (note 36)	11,127	23,418
Interest on lease liabilities (note 15)	432,998	—
Interest on finance leases (note 15)	—	3,648
Bank charges and other financial costs	11,514	5,219
	837,439	587,251
Less: Interest capitalised (notes 14 and 21)	36,553	150,346
Total finance costs	800,886	436,905

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	**1,862**	180
Other emoluments:		
Salaries, allowances and benefits in kind	**10,112**	5,323
Performance related bonus	**7,403**	5,186
Equity-settled share-based payments expenses	**27,110**	47,942
Pension scheme contributions	**2,227**	558
	46,852	59,009
	48,714	59,189

The fair values of the options and restricted shares granted to certain directors have been recognised in the consolidated statement of profit or loss over the vesting period, were determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 December 2019 are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Allan Zeman	**528**	60
Guo Yongqing	**528**	60
Katherine Rong Xin	**528**	60
	1,584	180

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

The above independent non-executive directors were appointed on 19 November 2018.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, a non-executive director and the chief executive

There were no emoluments paid by the Group to the directors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office during the year.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Equity-settled share based payment expenses RMB'000	Total remuneration RMB'000
2019						
Executive directors:						
Qian Jiannong*	—	3,075	2,250	65	22,129	27,519
Wang Wenping	—	1,223	660	49	1,945	3,877
Henri GISCARD d' ESTAING	278	5,814	4,493	2,113	3,036	15,734
Non-executive director:						
Wang Can (resigned as non-executive director with effect from 21 January 2020)	—	—	—	—	—	—
	278	10,112	7,403	2,227	27,110	47,130
2018						
Executive directors:						
Qian Jiannong*	—	1,703	1,688	44	39,520	42,955
Wang Wenping	—	486	192	21	2,431	3,130
Henri GISCARD d' ESTAING	—	2,528	3,095	459	4,009	10,091
Xu Bingbin	—	356	139	17	1,226	1,738
Xu Meng	—	250	72	17	756	1,095
Non-executive director:						
Wang Can	—	—	—	—	—	—
	—	5,323	5,186	558	47,942	59,009

* Mr. Qian Jiannong has been an executive director and the chief executive of the Company from the date of incorporation of the Company.

On 2 August 2018, Mr. Henri GISCARD d' ESTAING, Mr. Wang Wenping and Mr. Wang Can were appointed as directors, and Mr. Xu Bingbin and Mrs. Xu Meng were resigned as directors. On 17 August 2018, Mr. Qian Jiannong, Mr. Henri GISCARD d'ESTAING and Mr. Wang Wenping were appointed as executive directors, and Mr. Wang Can was appointed as a non-executive director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include three directors (2018: two), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2018: three) highest paid employees, who are neither a director nor chief executive of the Company, are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	4,861	6,253
Performance related bonus	3,375	3,836
Equity-settled share based payment expenses	3,752	4,755
Pension scheme contributions	1,395	784
	13,383	15,628

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2019 Number of employees	2018 Number of employees
RMB1,000,001 to RMB2,000,000	—	—
RMB2,000,001 to RMB3,000,000	—	—
RMB3,000,001 to RMB4,000,000	—	—
RMB4,000,001 to RMB5,000,000	1	2
RMB5,000,001 to RMB6,000,000	—	—
RMB6,000,001 to RMB7,000,000	—	1
RMB7,000,001 to RMB8,000,000	—	—
RMB8,000,001 to RMB9,000,000	—	—
RMB9,000,001 to RMB10,000,000	1	—
	2	3

The fair value of the options, granted to a non-director and non-chief executive highest paid employee, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 December 2019 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(a) Income tax in the consolidated statement of profit or loss represents:

	2019 RMB'000	2018 RMB'000
Current — France and others	152,739	118,290
Current — Chinese Mainland		
Income tax in Chinese Mainland for the year	342,262	200,868
LAT in Chinese Mainland for the year	357,790	588,668
Deferred (note 24)	(154,344)	(3,559)
Income tax expense for the year	698,447	904,267

The provision for income tax of CMH and its subsidiaries incorporated in France in the year of 2019 was based on a rate of 34.43% (2018: 34.43%).

The provision for Chinese Mainland current income tax is based on the statutory rate of 25% (2018: 25%) of the assessable profits of the Group for the reporting period as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Chinese Mainland tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

11. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries or jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	France and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2019			
(Loss)/profit before income tax	(72,198)	1,346,938	1,274,740
Tax at the applicable tax rates	(24,858)	336,735	311,877
Different tax rates for specific entities	5,451	—	5,451
Tax effect of:			
Income not subject to tax	(57,415)	—	(57,415)
Tax incentives on eligible expenditures	—	(394)	(394)
Gains attributable to joint ventures and associates	(1,432)	—	(1,432)
Expenses not deductible for tax	139,801	5,887	145,688
Tax losses not recognised	19,066	37,212	56,278
Tax losses utilised from prior years	(113,950)	(1,230)	(115,180)
Over provision in prior years	(11,878)	—	(11,878)
Others*	97,110	—	97,110
Subtotal	51,895	378,210	430,105
Provision for LAT for the year	—	54,492	54,492
Deferred tax effect of provision for LAT (note 24)	—	(13,623)	(13,623)
Prepaid LAT for the year	—	303,298	303,298
Tax effect of prepaid LAT	—	(75,825)	(75,825)
Tax expense	51,895	646,552	698,447

11. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

	France and others RMB'000	Chinese Mainland RMB'000	Total RMB'000
2018			
Profit before income tax	59,441	1,233,947	1,293,388
Tax at the applicable tax rates	20,465	308,487	328,952
Different tax rates for specific entities	18,230	—	18,230
Tax effect of:			
Income not subject to tax	(95,061)	—	(95,061)
Losses attributable to joint ventures and associates	1,181	3,409	4,590
Expenses not deductible for tax	81,682	7,411	89,093
Tax losses not recognised	140,335	41,587	181,922
Tax losses utilised from prior years	(115,238)	(199)	(115,437)
Overprovision in prior years	(3,023)	—	(3,023)
Others*	53,500	—	53,500
Subtotal	102,071	360,695	462,766
Provision for LAT for the year	—	425,911	425,911
Deferred tax effect of provision for LAT (note 24)	—	(106,478)	(106,478)
Prepaid LAT for the year	—	162,757	162,757
Tax effect of prepaid LAT	—	(40,689)	(40,689)
Tax expense	102,071	802,196	904,267

* Others mainly include the surcharge taxes in France and Italy which were calculated on the basis of the results of the relevant entities in France and Italy.

12. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Interim paid — HKD0.07 (2018: Nil) per ordinary share (Note i)	**77,922**	—
Proposed final — HKD0.02 (2018: Nil) per ordinary share (Note ii)	**22,236**	—
	100,158	—

Notes:

(i) On 19 August 2019, the directors declared an interim dividend of HKD0.07 per ordinary share for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(ii) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 1,234,033,842 (2018: 1,011,003,222) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	608,722	308,441

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,234,033,842	1,011,003,222
Effect of dilution — weighted average number of ordinary shares:		
— Share ownership plan	1,651,068	9,016,195
— Share option scheme	3,822,120	4,867,606
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,239,507,030	1,024,887,023
Basic earnings per share (RMB)	0.49	0.31
Diluted earnings per share (RMB)	0.49	0.30

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Furniture, fixtures and other equipment RMB'000	Construction in progress RMB'000	Others RMB'000	Total RMB'000
At 31 December 2018, net of accumulated depreciation and impairment	1,450,339	6,416,770	1,156,824	567,485	550,756	10,960	10,153,134
Effect of adoption of IFRS 16	—	—	(68,260)	—	—	—	(68,260)
At 1 January 2019 (restated), net of accumulated depreciation and impairment	1,450,339	6,416,770	1,088,564	567,485	550,756	10,960	10,084,874
Additions	—	423,988	230,249	108,325	496,152	1,501	1,260,215
Disposals	—	(2,115)	(19)	(2,928)	—	(2,049)	(7,111)
Depreciation provided during the year	—	(422,570)	(170,980)	(155,502)	—	(3,246)	(752,298)
Impairments	—	—	(193)	(6,051)	—	—	(6,244)
Transfer	30	460,417	177,595	37,562	(675,604)	—	—
Exchange realignment	12,867	27,613	4,719	(521)	(318)	—	44,360
At 31 December 2019, net of accumulated depreciation and impairment	1,463,236	6,904,103	1,329,935	548,370	370,986	7,166	10,623,796
At 31 December 2019							
Cost	1,463,236	8,644,158	1,938,396	1,060,141	373,145	12,506	13,491,582
Accumulated depreciation and impairment	—	(1,740,055)	(608,461)	(511,771)	(2,159)	(5,340)	(2,867,786)
Net carrying amount	1,463,236	6,904,103	1,329,935	548,370	370,986	7,166	10,623,796

	Freehold land RMB'000	Buildings and leasehold improvements RMB'000	Machinery RMB'000	Furniture, fixtures and other equipment RMB'000	Construction in progress RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018, net of accumulated depreciation and impairment	1,439,440	3,008,962	389,393	522,279	4,349,374	3,013	9,712,461
Additions	—	270,845	162,786	257,221	460,456	12,085	1,163,393
Disposals	—	(13,545)	(6,471)	(11,936)	(30,970)	(2,147)	(65,069)
Depreciation provided during the year	—	(367,867)	(147,366)	(137,230)	—	(1,991)	(654,454)
Impairments	—	(34,557)	(2,976)	(8,999)	—	—	(46,532)
Transfer	—	3,529,904	756,257	(55,471)	(4,230,690)	—	—
Exchange realignment	10,899	23,028	5,201	1,621	2,586	—	43,335
At 31 December 2018, net of accumulated depreciation and impairment	1,450,339	6,416,770	1,156,824	567,485	550,756	10,960	10,153,134
At 31 December 2018							
Cost	1,450,339	7,727,957	1,592,028	918,113	552,915	13,054	12,254,406
Accumulated depreciation and impairment	—	(1,311,187)	(435,204)	(350,628)	(2,159)	(2,094)	(2,101,272)
Net carrying amount	1,450,339	6,416,770	1,156,824	567,485	550,756	10,960	10,153,134

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(1) The net book values of property, plant and equipment pledged as security for interest-bearing bank loans are as follows (note 31):

	2019 RMB'000	2018 RMB'000
Construction in progress	114,132	416,583
Buildings	3,931,425	3,387,364
Machinery	774,473	622,926
Furniture, fixtures and other equipment	131	131
	4,820,161	4,427,004

(2) Capitalised interest expenses included in construction in progress of the Group are as follows (note 8):

	2019 RMB'000	2018 RMB'000
Interest expenses capitalised	582	50,049

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings, machinery, furniture, fixtures, and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 49 years, while leases of machinery generally have lease terms between 2 and 10 years. Furniture, fixtures and other equipment generally have lease terms of 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The lease contracts with variable lease payments are further discussed below.

(A) PREPAID LAND LEASE PAYMENTS (BEFORE 1 JANUARY 2019)

	RMB'000
Carrying amount at 1 January 2018	854,794
Additions	541,922
Recognised in profit or loss during the year	(22,170)
Carrying amount at 31 December 2018	1,374,546
Portion classified as current assets included in prepayments, other receivables and other assets	(34,663)
Carrying amount at 31 December 2018	1,339,883

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(B) RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land RMB'000	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and other equipment RMB'000	Total RMB'000
As at 1 January 2019	1,374,546	8,111,089	78,088	18,079	9,581,802
Additions	803,671	1,744,303	737	5,380	2,554,091
Depreciation charge	(54,104)	(997,526)	(13,434)	(9,550)	(1,074,614)
Disposal	—	(3,602)	(403)	(36)	(4,041)
Exchange alignment	—	(4,492)	178	231	(4,083)
As at 31 December 2019	2,124,113	8,849,772	65,166	14,104	11,053,155

The net book values of right-of-use assets and prepaid land lease payments pledged as security for interest-bearing bank loans are as follows (note 31):

	2019 RMB'000	2018 RMB'000
Prepaid land lease payments	—	832,932
Right-of-use assets	810,735	—
	810,735	832,932

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(C) LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000	2018 Finance lease payables RMB'000
Carrying amount at 1 January	**8,200,588**	86,301
New leases	**1,730,386**	—
Accretion of interest recognised during the year	**432,998**	3,648
Payments	**(1,272,408)**	—
Exchange realignment	**13,079**	(9,930)
Carrying amount at 31 December	**9,104,643**	80,019
Analysed into:		
Current portion	**864,353**	6,647
Non-current portion	**8,240,290**	73,372

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 50 to the financial statements.

The Group entered into the lease in respect of certain leasehold properties from the associates and other related companies. The amounts of lease liabilities by the Group to the related parties under the leases were determined with reference to the amounts charged by the third parties. Included in the Group's lease liabilities are amounts due to the Group's associates and other related companies of RMB116,154,000 (2018: Nil) and RMB18,700,000 (2018: Nil), respectively.

(D) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	**432,998**
Depreciation charge of right-of-use assets	**1,074,614**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 and low-value leases	**114,943**
Variable lease payments not included in the measurement of lease liabilities	**50,823**
Total amount recognised in profit or loss	**1,673,378**

(E) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 44(c) and 45, respectively, to the financial statements.

16. INTANGIBLE ASSETS

	Trademark and patents RMB'000	Software RMB'000	Leasehold rights RMB'000	Others RMB'000	Total RMB'000
31 December 2019					
Cost at 31 December 2018, net of accumulated amortisation and impairment	2,049,535	468,370	82,741	24,074	2,624,720
Effect of adoption of IFRS 16	—	—	(65,964)	—	(65,964)
Cost at 1 January 2019 (restated), net of accumulated amortisation and impairment	2,049,535	468,370	16,777	24,074	2,558,756
Additions	99,656	179,735	—	58,786	338,177
Reclassification	—	—	(6,560)	—	(6,560)
Disposals	(92)	(820)	(5,187)	(9)	(6,108)
Amortisation provided during the year	(533)	(105,525)	(1,852)	(10,247)	(118,157)
Exchange realignment	(8,323)	(976)	(185)	81	(9,403)
At 31 December 2019	2,140,243	540,784	2,993	72,685	2,756,705
At 31 December 2019:					
Cost	2,141,611	917,194	20,315	184,103	3,263,223
Accumulated amortisation and impairment	(1,368)	(376,410)	(17,322)	(111,418)	(506,518)
Net carrying amount	2,140,243	540,784	2,993	72,685	2,756,705
31 December 2018					
Cost at 1 January 2018, net of accumulated amortisation and impairment	2,038,243	359,806	93,662	33,378	2,525,089
Additions	259	216,605	211	18	217,093
Disposals	(172)	(18,075)	(1,781)	—	(20,028)
Amortisation provided during the year	(523)	(82,394)	(1,875)	(9,631)	(94,423)
Impairments	—	(10,327)	(7,960)	—	(18,287)
Exchange realignment	11,728	2,755	484	309	15,276
At 31 December 2018	2,049,535	468,370	82,741	24,074	2,624,720
At 31 December 2018:					
Cost	2,050,375	739,814	98,606	125,132	3,013,927
Accumulated amortisation and impairment	(840)	(271,444)	(15,865)	(101,058)	(389,207)
Net carrying amount	2,049,535	468,370	82,741	24,074	2,624,720

16. INTANGIBLE ASSETS *(Continued)*

Impairment testing of intangible assets with indefinite life

The intangible assets of the Group with indefinite life are mainly the trademark of Club Med amounting to EUR261,120,000 (equivalent to RMB2,040,783,000 as at 31 December 2019 (31 December 2018: RMB2,046,576,000)) which arose from the acquisition of Club Med SAS and its subsidiaries ("Club Med SAS Group") in 2015. The trademark of Club Med has indefinite life as the extension cost is low and they can be used indefinitely. The impairment test is based on the recoverable amount of the intangible assets, which is the fair value less costs of disposal.

The fair value calculation of the trademark of Club Med used the relief from royalty method based on royalty rates from 1.5% to 2.5% of forecasted revenues. The revenues are forecasted based on an operational plan for a maximum period of three years, and the application of a growth rate of 2.5% on the subsequent two years as approved by senior management. The long-term growth rate of revenues beyond the fifth year period is 1.9%, which is also an estimate of the long-term rate of inflation. The discount rate applied to the royalty income was 8.5% for 2019.

Assumptions were used in the fair value calculation of the trademark of Club Med for 2019. The following describes each key assumption on which management has based its relief from royalty calculation to undertake impairment testing of the trademark:

Discount rate — The discount rate used reflects specific risks relating to the trademark which arose from the acquisition of Club Med SAS Group.

Royalty rates — The royalty rates are determined based on comparable or similar transactions.

Long-term growth rate — The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the main accommodations are located.

The values assigned to the discount rate, royalty rate and long-term growth rate are consistent with the Group's historical experience and external information sources.

Sensitivity to changes in key assumptions

As at 31 December 2019, the recoverable amount of the trademark of Club Med exceeds the carrying amount by RMB1,036,620,000.

The following table sets forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, of the trademark of Club Med impairment testing of the Group as of the dates indicated.

As at 31 December 2019, the recoverable amount of the trademark of Club Med exceeds its carrying amount by:

	2019 RMB'000
Possible changes of key assumptions	
Discount rate increases by 1%	648,336
Royalty rates decrease by 0.5%	772,298
Long-term growth rate decreases by 0.5%	885,296

With regard to the assessment of fair value, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amount of the trademark of Club Med to be materially lower than its carrying amount.

17. GOODWILL

	RMB'000
Cost and net carrying amount at 1 January 2018	1,727,382
Exchange realignment	9,963
Cost and net carrying amount at 31 December 2018 and 1 January 2019	1,737,345
Exchange realignment	(7,040)
Cost and net carrying amount at 31 December 2019	**1,730,305**

Impairment testing of goodwill

The Group's goodwill acquired through business combination is from the acquisition of Club Med SAS Group in February 2015 and the goodwill has been allocated to the corresponding subsidiary acquired for impairment testing as the acquired subsidiary is the only cash-generating unit that can benefit from synergy of the acquisition.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on an operational plan for a maximum period of three years, and the application of a growth rate of 2.5% on the subsequent two years as approved by senior management. The discount rate applied to the cash flow projections was 10.6% for 2019. The growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the fifth year period is 1.9%, which is also an estimate of the long-term rate of inflation.

Assumptions were used in the value in use calculation of the cash-generating unit for the year ended 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

Long-term growth rate — The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the main accommodations are located.

The values assigned to the discount rate and long-term growth rate are consistent with the Group's historical experience and external information sources.

17. GOODWILL *(Continued)*

Sensitivity to changes in key assumptions

As at 31 December 2019, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB3,442,432,000.

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of the Group as of the dates indicated.

As at 31 December 2019, the recoverable amount of the cash-generating unit exceeds its carrying amount by:

	2019 RMB'000
Possible changes of key assumptions	
Pre-tax discount rate increases by 1%	2,270,285
Long-term growth rate decreases by 0.5%	2,848,060

With regard to the assessment of value in use, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amount of the cash-generating unit for which goodwill is allocated to be materially lower than its carrying amount.

18. INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Share of net assets	—	—

The Group's amounts due from joint ventures and amounts due to joint ventures are disclosed in note 22 to the financial statements.

The share of the joint ventures' losses of the Group during the year mainly arose from Kuyi International Travel Agency (Shanghai) Co. Ltd. which was established in September 2015.

As at 31 December 2019, there was no material joint venture within the Group (31 December 2018: nil).

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' loss for the year	—	(13,635)

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	—	—

The Group has discontinued the recognition of its share of losses of a joint venture Kuyi International Travel Agency (Shanghai) Co. Ltd because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this joint venture for the current year and cumulatively were RMB47,536,000 (2018: RMB16,206,000) and RMB63,742,000 (2018: RMB16,206,000), respectively.

19. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**194,707**	158,586

The Group's amounts due from associates and amounts due to associates are disclosed in note 22 to the financial statements.

As at 31 December 2019, there were no material associates within the Group (31 December 2018: nil).

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates' profits for the year	**4,401**	2,093

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of the Group's investments in the associates	**194,707**	158,586

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2019 RMB'000	2018 RMB'000
Equity investments designated at fair value through other comprehensive income:			
Unlisted equity investment, at fair value			
Financière Core Motion Group ("FCMG")	(i)	**—**	40,492
Listed equity investment, at fair value			
Thomas Cook Group plc ("TCG")	(ii)	**—**	268,946
		—	309,438
Financial assets at fair value through profit or loss:			
Long-term investments			
Unlisted investments, at fair value			
Non-trading		**28,478**	363,845
Short-term investments			
Unlisted investments, at fair value			
Non-trading	(iii)	**423,432**	—
		451,910	363,845

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes:

(i) During the year ended 31 December 2019, the Group disposed of its investments in FCMG resulting from the adjustment of the Group's investment strategy. The fair value on the date of disposal was minimal.

(ii) In September 2019, TCG applied for liquidation and its ordinary shares were suspended from trading on the London Stock Exchange. Therefore, the management recognised the fair value of its investment in TCG as at 31 December 2019 was nil.

(iii) The short-term financial assets at fair value through profit or loss as at 31 December 2019 include:

— an investment in financial products issued by an asset management company with an amount of RMB343,669,000 (31 December 2018: long-term financial assets with an amount of RMB341,692,000). The maturity date is 17 December 2020.

— an investment in a fund with an amount of RMB69,762,000. The investment will be realised no later than August 2020 according to the cooperative agreement.

— an investment in a financial product issued by a PRC financial institution with an amount of RMB10,001,000.

They were classified as short-term financial assets at fair value though profit or loss at 31 December 2019 as their contractual cash flows are not solely payments of principal and interest and their maturity date is less than one year.

21. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Land cost	**1,411,955**	1,586,506
Construction costs	**502,327**	533,055
Capitalised finance costs	**23,560**	51,057
	1,937,842	2,170,618
Portion classified as current assets	**779,956**	1,046,604
Non-current portion	**1,157,886**	1,124,014

The properties pledged to banks to secure interest-bearing bank borrowings are as follows:

	2019 RMB'000	2018 RMB'000
Net book value pledged (note 31)	**—**	282,647

Additions to properties under development include:		
Interest expense capitalised (note 8)	**35,971**	100,297

The Group's properties under development are situated in Chinese Mainland and France.

22. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES

	Notes	2019 RMB'000	2018 RMB'000
Due from related companies:			
The holding company	(i)	**1,821,347**	1,898,412
Associates	(ii)	**2,542**	910
Joint ventures	(iii)	**76,247**	46,499
Other related companies	(iv)	**18,456**	7,928
Total		**1,918,592**	1,953,749
Portion classified as current assets		**1,911,718**	1,933,349
Non-current portion		**6,874**	20,400

Notes:

(i) As at 31 December 2019, the Group had an outstanding balance due from its ultimate holding company of RMB1,821,347,000 (31 December 2018: RMB1,898,412,000).The balance due from the holding company was non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 December 2019, the balance mainly came from the unpaid subscription price for the shares of the Company issued to the Controlling Shareholder.

(ii) As at 31 December 2019, the Group had balances due from its associates of RMB2,542,000 (31 December 2018: RMB910,000) as at the end of the reporting period. The balances were non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) As at 31 December 2019, the balance due from joint ventures with an amount of RMB76,247,000 (31 December 2018: RMB46,480,000) was non-trade in nature, unsecured, interest-free and repayable on demand.

The remaining balances due from joint ventures as at 31 December 2018 with an amount of RMB19,000 were trade in nature, unsecured, interest-free and repayable on demand.

(iv) As at 31 December 2019, the balances due from other related companies with an amount of RMB17,447,000 (31 December 2018: RMB6,791,000) were trade in nature, unsecured, interest-free and repayable on demand.

The remaining balances due from other related companies as at 31 December 2019 with an amount of RMB1,009,000 (31 December 2018: RMB1,137,000) were non-trade in nature, unsecured, interest-free and repayable on demand.

	Notes	2019 RMB'000	2018 RMB'000
Due to related companies:			
The holding company	(v)	**676**	—
Associates	(vi)	**845**	—
Joint ventures	(vii)	**814**	29,192
Other related companies	(viii)	**1,885,558**	1,946,156
Total		**1,887,893**	1,975,348
Portion classified as current liabilities		**66,546**	1,975,348
Non-current portion		**1,821,347**	—

22. BALANCES WITH SHAREHOLDERS, SUBSIDIARIES AND RELATED COMPANIES *(Continued)*

Notes: (Continued)

(v) As at 31 December 2019, the Group had an outstanding balance due to its ultimate holding company of RMB676,000 (31 December 2018: Nil). The balance due to the holding company was non-trade in nature, unsecured, interest-free and repayable on demand.

(vi) As at 31 December 2019, the Group had balances due to its associates of RMB845,000 (31 December 2018: Nil). The balances were non-trade in nature, unsecured, interest-free and repayable on demand.

(vii) As at 31 December 2019, the balance due to joint ventures with an amount of RMB814,000 (31 December 2018: RMB19,324,000) was non-trade in nature, unsecured, interest-free and repayable on demand.

(viii) As at 31 December 2019, the balances due to other related companies include an amount of RMB60,133,000 (31 December 2018: RMB47,692,000) which were trade in nature, unsecured, interest-free and repayable on demand.

The remaining balances amounting to RMB1,825,425,000 (31 December 2018: RMB1,898,464,000) due to other related companies were non-trade in nature, unsecured, interest-free and repayable on demand.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Prepayments consist of:				
Prepayments for various goods and services	(a)	**1,027,999**	983,681	1,149,614
Current portion of prepaid land lease payments due in one year	(a)	**—**	—	34,663
Prepayments for acquisition of land use right		**—**	1,189,084	1,189,084
Prepayments for investments in financial instruments		**—**	4,022	4,022
Prepaid service fee		**6,987**	13,739	13,739
Prepaid value-added tax and surcharges		**615,662**	816,055	816,055
Deposits		**156,289**	146,968	146,968
Other receivables consist of:				
Tax recoverable		**182,522**	340,159	340,159
Loans to third parties		**138,686**	138,395	138,395
Others		**246,048**	178,715	178,715
Impairment allowance	(c)	**(18,071)**	(4,020)	(4,020)
		2,356,122	3,806,798	4,007,394
Portion classified as current assets		**2,059,455**	2,250,035	2,450,631
Non-current portion	(b)	**296,667**	1,556,763	1,556,763

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

(Continued)

Notes:

(a) As a result of the initial application of IFRS 16, the current portion of pre-paid land lease payments amounted to RMB34,663,000 and prepaid rental expenses amounted to RMB165,933,000 previously included in "prepayments, other receivables and other assets" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

(b) The non-current portion of prepayments, other receivables and other assets as at the end of the reporting period is set out below:

	2019 RMB'000	2018 RMB'000
Non-current portion of prepayments, other receivables and other assets:		
Deposits for lease contracts	152,269	142,946
Loans to third parties	138,686	138,395
Prepayments for purchase of construction materials, equipment and others	5,712	75,338
Prepayments for acquisition of land use rights	—	1,189,084
Prepayments for a proposed investment in financial instruments	—	4,022
Prepaid service fee	—	6,870
Others	—	108
	296,667	1,556,763

(c) As at 31 December 2019, the increase of the impairment allowance is mainly due to the impairment for the prepayments for various goods or services amounting to RMB12,600,000.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to minimal.

24. DEFERRED TAX

Movements in deferred tax assets and liabilities are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accruals and provisions RMB'000	Additional LAT provisions RMB'000	Leases RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2018	397,622	41,583	—	—	91,870	531,075
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	(121,907)	25,106	106,478	—	(25,677)	(16,000)
Exchange realignment	3,879	148	—	—	(2,221)	1,806
Gross deferred tax assets at 31 December 2018 and at 1 January 2019	279,594	66,837	106,478	—	63,972	516,881
Deferred tax credited to the consolidated statement of profit or loss during the year	83,079	30,868	13,623	19,959	33,706	181,235
Exchange realignment	694	(91)	—	314	1,152	2,069
Gross deferred tax assets at 31 December 2019	363,367	97,614	120,101	20,273	98,830	700,185

24. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries and others RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	979,361	16,869	996,230
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	(14,056)	(5,503)	(19,559)
Exchange realignment	1,287	—	1,287
Gross deferred tax liabilities at 31 December 2018 at 1 January 2019	**966,592**	**11,366**	**977,958**
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	**18,508**	**8,383**	**26,891**
Exchange realignment	**3,882**	**—**	**3,882**
Gross deferred tax liabilities at 31 December 2019	**988,982**	**19,749**	**1,008,731**

For presentation purposes, certain deferred tax liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax offset in the consolidated statement of financial position	**405,834**	274,903
Net deferred tax assets recognised in the consolidated statement of financial position	**294,351**	241,978
Net deferred tax liabilities recognised in the consolidated statement of financial position	**602,897**	703,055

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'000	2018 RMB'000
Tax losses	**4,142,042**	4,273,160

24. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Tax losses carried forward as at the end of the year:

	2019 RMB'000	2018 RMB'000
Less than one year	**73,747**	95,557
One to five years	**593,566**	324,982
Beyond five years	**240,780**	106,935
Without limitation	**3,233,949**	3,745,686
	4,142,042	4,273,160

Tax losses arising in Chinese Mainland that will expire in one to five years for offsetting against future taxable profits. Tax losses arising in locations other than Chinese Mainland will be available indefinitely or expire in one to over five years for offsetting against future taxable profits as shown above. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB439,238,000 at 31 December 2019 (2018: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Goods for resale	**108,204**	100,572
Consumables and supplies	**91,663**	81,434
Impairment	**(3,674)**	(3,366)
	196,193	178,640

26. COMPLETED PROPERTIES FOR SALE

	2019 RMB'000	2018 RMB'000
Completed properties for sale	**462,497**	1,243,892

The completed properties for sale pledged to banks to secure interest-bearing bank borrowings are as follows:

	2019 RMB'000	2018 RMB'000
Net book value pledged (note 31)	**37,152**	210,236

The completed properties for sale are situated in France and Chinese Mainland.

27. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**696,610**	810,125
Impairment	**(43,575)**	(37,772)
	653,035	772,353

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by the management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amounts of the trade receivables in the consolidated statement of financial position approximate to their fair values.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Outstanding balances with ages:		
Within 90 days	**468,072**	607,716
91 to 180 days	**43,011**	17,671
181 to 365 days	**141,952**	146,966
	653,035	772,353

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**37,772**	36,044
Amount written off as uncollectible	**(8,137)**	(6,062)
Impairment losses, net	**13,886**	7,695
Exchange realignment	**54**	95
At end of year	**43,575**	37,772

27. TRADE RECEIVABLES *(Continued)*

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables that are categorised as current or past due within 30 days is assessed to be 0.1%, while the expected loss rate for the trade receivable balances which are over 30 days past due is assessed to be 0.5%.

The expected loss rate is reviewed, and adjusted if appropriate, at the end of each reporting period. The credit loss rate remained the same during the reporting period as the business and customer base of the Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change on the economic indicators based on the assessment of the forward-looking information. Other than the provision provided for the specific balances which are more than 30 days past due based on evaluation on the expected loss rate and the gross carrying amount of the remaining balances, the directors of the Company are of the opinion that the ECL in respect of these balances is considered to be immaterial.

28. CONTRACT ASSETS AND OTHER ASSETS

	Notes	2019 RMB'000	2018 RMB'000
Contract assets:			
Sales of properties and construction services	(1)	—	13,850
Other assets:			
Costs for obtaining contracts	(2)	4,284	45,463
		4,284	59,313

Notes:

(1) Contract assets related to property development and sales consist of unbilled amounts resulting from sales of properties when revenue recognised over time exceeds the amounts billed to the property purchasers and the provision of construction services. The decrease in contract assets in 2019 was the settlement of the provision of construction services.

(2) Management expects the incremental costs, primarily sales commission and stamp duty paid/payable as a result of obtaining the property sales contracts, are recoverable. The Group has capitalised the amounts and amortised them when the related revenue is recognised. The amount of amortisation was RMB41,179,000 for the year 2019 (2018: RMB48,817,000).

The expected timing of recovery or settlement for contract assets and other assets as at 31 December 2019 and 2018 is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	4,284	45,463
More than one year	—	13,850
	4,284	59,313

29. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2019

	Fair value	
	Assets	Liabilities
	RMB'000	RMB'000
Derivatives not qualifying for hedge accounting		
Interest rate derivatives		
Interest rate swaptions	3,017	16,944
Qualifying for hedge accounting		
Cash flow hedge derivatives		
Currency swaps	652	17,127
Forward currency contracts	11,640	58,866
Interest rate swaps	2,321	5,330
Fair value hedge derivatives		
Currency swaps	13,412	1,439
	28,025	82,762
	31,042	99,706

As at 31 December 2018

	Fair value	
	Assets	Liabilities
	RMB'000	RMB'000
Derivatives not qualifying for hedge accounting		
Exchange rate derivatives		
Currency options purchased	439	—
Interest rate derivatives		
Interest rate swaptions	3,029	10,051
Qualifying for hedge accounting		
Cash flow hedge derivatives		
Currency swaps	7,141	2,464
Forward currency contracts	39,504	13,890
Interest rate swaps	—	14,345
Fair value hedge derivatives		
Currency swaps	4,551	8,766
	51,196	39,465
	54,664	49,516

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedges

The Group operates resorts all over the world and is exposed to the risk of fluctuations in foreign exchange rates. Forward currency contracts and currency swaps are designated as hedging instruments in respect of the transaction currency risk arising from the future cash flows denominated in a currency other than the functional currency of the entities within the Group. The balances of the forward currency contracts and currency swaps vary with the levels of expected foreign currency transactions and changes in foreign exchange forward rates. The terms of the above hedging instruments match the expected highly probable forecast transactions.

Interest rate swaps whereby the Group receives interest at variable rates and pays interest at fixed rates are designated as hedging instruments in respect of forecast future interest expenses on interest-floating borrowings to which the Group has firm commitments. The balances of the interest rate swaps vary with the terms and principal amounts of the interest-floating borrowings and changes in variable rates which are generally based on the Europe Inter-bank Offered Rate. The terms of the above hedging instruments match the terms of the commitments.

The cash flow hedges were assessed to be highly effective and net losses of RMB63,077,000 for the year ended 31 December 2019 (2018: net gains of RMB60,874,000) were included in the hedging reserve as follows:

	2019 **RMB'000**	2018 RMB'000
Effective portion of changes in fair value of hedging instruments arising during the year	**(51,419)**	34,116
Reclassification adjustments for (losses)/gains included in the consolidated statement of profit or loss	**(11,658)**	26,758
Total	**(63,077)**	60,874

In addition, the Group has entered into interest rate swaption contracts to manage its interest rate exposures on borrowings. These interest rate swaption contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate derivatives were charged to the consolidated statement of profit or loss.

Fair value hedge

Currency swaps are designated as hedging instruments in respect of the currency risk on intercompany financing denominated in a currency other than the functional currency of the borrowing entities within the Group. The hedge of the currency swaps was assessed to be effective.

30. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Notes	2019 RMB'000	2018 RMB'000
Cash and current deposits		**1,800,542**	1,880,309
Time deposits		**101,554**	34,050
Other cash equivalents		**236,271**	248,430
		2,138,367	2,162,789
Less: Pledged bank balances	(1)	**9,526**	172,472
Time deposits with original maturity of more than three months		**164**	165
Restricted pre-sale proceeds	(2)	**—**	115,154
Restricted cash		**9,690**	287,791
Cash and cash equivalents		**2,128,677**	1,874,998

Notes:

(1) It mainly comprises the following:

	2019 RMB'000	2018 RMB'000
Bank balances as various deposits	**9,526**	172,472

(2) In accordance with relevant regulations issued by the PRC State-Owned Land and Resource Bureau, certain subsidiaries involved in property development of the Group are required to place in designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

Cash and cash equivalents and restricted cash of the Group denominated in RMB amounted to RMB1,148,611,000 as at 31 December 2019 (31 December 2018: RMB735,238,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

31. INTEREST-BEARING BANK BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Bank loans:			
Secured	(a)	**4,566,115**	4,846,695
Unsecured		**1,990,824**	579,796
Total		**6,556,939**	5,426,491
Repayable:			
Within one year		**2,038,170**	752,377
In the second year		**857,353**	480,001
In the third to fifth years, inclusive		**3,037,307**	2,931,799
Over five years		**624,109**	1,262,314
		6,556,939	5,426,491
Portion classified as current liabilities		**2,038,170**	752,377
Non-current portion		**4,518,769**	4,674,114

Notes:

(a) Certain of the Group's bank loans are secured by the pledges of assets with carrying values at the end of each reporting period as follows:

	2019 RMB'000	2018 RMB'000
Pledge of assets:		
Prepaid land lease payments	**—**	832,932
Right-of-use assets	**810,735**	—
Properties under development	**—**	282,647
Property, plant and equipment	**4,820,161**	4,427,004
Completed properties for sales	**37,152**	210,236
Investment designated at fair value through comprehensive income	**—**	268,946
Total	**5,668,048**	6,021,765

Apart from the above, certain interest-bearing bank borrowings were secured by investments in subsidiaries as at 31 December 2019.

(b) Certain of the Group's bank loans bear interest at rates ranging from 2.75% to 7.37% per annum in the year ended 31 December 2019 (2018: from 2.75% to 7.00%).

32. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities	**1,175,498**	4,434,605

The Group receives payments from customers based on the billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts from property sales and resort operation.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 RMB'000	2018 RMB'000
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**3,991,717**	3,572,950

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'000	2018 RMB'000
Expected to be recognised within one year	**1,175,498**	4,682,117

33. TRADE PAYABLES

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**1,708,988**	1,852,870	1,870,767

Notes:

As a result of the initial application of IFRS 16, accrued lease payments of RMB17,897,000 previously included in "Trade payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 90 days	**1,270,744**	1,556,497
91 to 180 days	**19,894**	21,866
181 to 365 days	**16,933**	281,481
1 to 2 years	**401,136**	8,353
2 to 3 years	**86**	2,570
Over 3 years	**195**	—
	1,708,988	1,870,767

Trade payables are non-interest-bearing.

34. ACCRUED LIABILITIES AND OTHER PAYABLES

	Notes	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Advances from customers	(i)	**2,943,375**	2,507,399	2,507,399
Payables related to:				
Purchases of property, plant and equipment		**979,567**	717,940	717,940
Deposits received		**142,354**	94,429	94,429
Payroll		**494,864**	512,633	512,633
Tax liabilities (other than income tax)		**184,383**	178,696	178,696
Interest payables		**12,581**	4,660	4,660
Provisions for litigation and others	(ii)	**180,717**	228,035	228,035
Put options granted to non-controlling shareholders of a subsidiary	(iii)	**133,846**	191,962	191,962
Others	(iv)	**447,246**	305,113	307,101
		5,518,933	4,740,867	4,742,855

Notes:

(i) The balance mainly represents the proceeds from the customers in advance arose from certain contracts which can be cancelled without any condition before the service and goods are delivered by the Group.

(ii) The balance mainly includes the provisions for litigation which cover commercial claims, employee claims, and disputes with government agencies and the provisions for the site restructuring and closures of the resorts.

(iii) Pursuant to the put option agreements signed in February 2015 between Fosun Luxembourg, a subsidiary of the Company, and certain non-controlling shareholders of CMH, the non-controlling shareholders of CMH, except Fidelidade — Companhia de Seguros, S.A. ("Fidelidade"),a fellow subsidiary of the Controlling Shareholder, had certain embedded put rights that were exercisable commencing on the departure of the relevant employee shareholder or on the fourth or fifth anniversary of the agreement date, which, if exercised, would require Fosun Luxembourg to acquire the non-controlling interests at a price based on certain multiples of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of CMH after the adjustment of certain items. The put options will expire from 18 February 2020 to 19 July 2022. In accordance with IFRS 10, the Company recorded the non-controlling shareholders' portion of profit or loss in its consolidated statement of profit or loss, and the put option amount was classified as a financial liability at the end of the year and the changes in the amount of the options were recognised in equity (other reserve).

(iv) As a result of the initial application of IFRS 16, accrued lease payments of RMB1,988,000 previously included in "Accrued liabilities and other payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

35. FINANCE LEASE PAYABLES

The Group classified certain leases as finance leases prior to IFRS 16 becoming effective on 1 January 2019. At 31 December 2018, total future minimum lease payments under finance leases prior to IFRS 16 becoming effective on 1 January 2019 and their present values are as follows:

Repayable:

	2018 RMB'000
Within one year	9,910
In the second year	9,910
In the third to fifth years, inclusive	30,790
More than five years	47,371
Total minimum finance lease payments	97,981
Less: Future finance charges	17,962
	80,019
Portion classified as current	6,647
Non-current portion	73,372

36. CONVERTIBLE REDEEMABLE PREFERRED SHARES

To finance the acquisition of Club Med SAS Group, in February 2015, CMH (formerly known as Holding Gaillon II), an indirectly owned subsidiary of the Company, issued 51,578,995 Class B preference shares (the "Preferred Shares B") with a par value of EUR4 per share for cash. Among them, Fosun Luxembourg, together with another subsidiary of the Group subscribed 36,377,244 Preferred Shares B which were eliminated on group level. And the rest of 15,001,751 Preferred Shares B were subscribed by a related party of the Group and other various third party holders at a total amount of EUR60,007,004 (equivalent to RMB415,585,000).

In July and November 2019, Fosun Luxembourg acquired 1,969,196 Preferred Shares B from non-controlling shareholders at a total consideration of EUR11,325,906 (equivalent to RMB87,350,000).

The Preferred Shares B hold voting rights, have no maturity date and entitle the holders to a preferred, cumulative and exclusive compound dividend rate of 8.25% on the principals. In case of the liquidation, Preferred Shares B are redeemable at subscription price plus the preferred dividend and the redemption of the Preferred Shares B is in priority to ordinary shares and other equity instruments. Preferred Shares B are treated pari passu with the holders of the convertible bonds with the details set out in note 36. In case of an exit (except an initial public offering ("IPO") of CMH), allocation of exit price will be in priority to Convertible Bonds and Preferred Shares B which are treated pari passu. Only in the case of an exit through an IPO of CMH, Preferred Shares B could be converted into ordinary shares.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option ("Market Interest"). The residual amount is assigned as the equity component and is included in shareholders' equity. Since the rate of return is close to the Market Interest, the entire issue was recognised as a liability with no equity component.

The Preferred Shares B were classified as financial liabilities.

36. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

	2019 RMB'000	2018 RMB'000
At beginning of year	**163,136**	588,387
Redemption	**(87,350)**	(436,692)
Interest expense (note 8)	**11,127**	23,418
Exchange realignment	**(1,590)**	(11,977)
At the end of year	**85,323**	163,136

37. CONVERTIBLE BONDS

To finance the acquisition of Club Med SAS Group, in February and March 2015, CMH issued a total of 102,415,337 convertible bonds (the "Convertible Bonds") with a par value of EUR4 per bond. Among them, Fosun Luxembourg subscribed 72,056,820 Convertible Bonds which were eliminated on group level. The rest of 30,358,517 Convertible Bonds were subscribed by a related party of the Group and other various third party holders at a total amount of EUR121,434,000 (equivalent to RMB841,004,000).

In July and November 2019, Fosun Luxembourg acquired 3,984,992 Convertible Bonds from non-controlling shareholders at a total consideration of EUR22,929,031 (equivalent to RMB176,838,000).

The Convertible Bonds can be converted into Preferred Share B and the conversion can be requested at the option of the bondholders at any time until the maturity date of 18 February 2025. The Convertible Bonds bear interest at a compound rate of 8.25% per annum until the Convertible Bonds mature. The holders could early redeem the Convertible Bonds only in the case of liquidation and before any other dividends and any redemption of net equity.

The fair value of the liability component was estimated at the issuance date using an Market Interest. The residual amount is assigned as the equity component and is included in shareholders' equity. Since the rate of return is close to the Market Interest, the entire issue was recognised as a liability with no equity component.

	2019 RMB'000	2018 RMB'000
At beginning of year	**330,369**	1,188,672
Redemption	**(176,838)**	(882,991)
Interest expense (note 8)	**22,780**	45,545
Exchange realignment	**(3,576)**	(20,857)
At the end of year	**172,735**	330,369

38. DEFERRED INCOME

Deferred income represents government grants received related to assets.

	2019 RMB'000	2018 RMB'000
Government grants for fixed asset construction	**113,521**	120,720

The movements in government grants are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**120,720**	121,591
Addition	**370**	6,381
Recognised as income during the year	**(7,230)**	(7,771)
Exchange realignment	**(339)**	519
At the end of the year	**113,521**	120,720

39. OTHER LONG TERM PAYABLES

	Notes	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Accrued rental expenses	(i)	**—**	—	193,585
Defined benefit plans	(ii)	**412,033**	378,177	378,177
Others		**20,481**	17,884	17,884
		432,514	396,061	589,646

Notes:

(i) Accrued rental expenses relate to long-term rental contracts with rent-free periods. As a result of the initial application of IFRS 16, accured rental expenses of RMB193,585,000 previously included in "Other long term payables" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2(a) to the financial statements for further details).

(ii) Under defined benefit plans, the Group has an obligation to provide benefits to employees either on their retirement or when they leave the Group. The Group's defined benefit plans are unfunded and are covered by provisions recorded in the financial statements.

The Group's obligations under defined benefit plans are measured using the projected unit credit method. This method involves the use of long-term actuarial assumptions concerning demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and discount rates). These variables are reviewed each year.

The discount rate is determined by reference to the market yields at the reporting date on high quality corporate bonds.

39. OTHER LONG TERM PAYABLES *(Continued)*

Notes: (Continued)

(ii) (Continued)

The principal actuarial assumptions used for the major defined benefit plan of the Group as at the end of each reporting period are as follows:

	2019 RMB'000	2018 RMB'000
Discount rate	**0.77%**	1.56%
Expected rate of salary increase	**1.85%–3.35%**	2.90%

A quantitative sensitivity analysis for significant assumptions for the major defined benefit plan of the Group as at year end is shown below:

	2019 RMB'000	2018 RMB'000
Discount rate changed to	**1.27%**	2.06%
Adjustment to liability	**(16,030)**	(15,294)
Discount rate changed to	**0.27%**	1.06%
Adjustment to liability	**17,522**	16,715
Expected rate of salary increase changed to	**3.85%**	3.40%
Adjustment to liability	**17,116**	16,448
Expected rate of salary increase changed to	**1.35%**	2.40%
Adjustment to liability	**(15,834)**	(15,216)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each year. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2019 RMB'000	2018 RMB'000
Current service cost	**28,186**	15,380
Interest expense	**6,924**	4,242
Net benefit expenses	**35,110**	19,622

The movements in the present value of the defined benefit obligations are set out below:

	2019 RMB'000	2018 RMB'000
At beginning of year	**378,177**	264,352
Current service cost	**28,186**	15,380
Interest expense	**6,924**	4,242
Benefits paid	**(18,747)**	(13,279)
Loss from actuarial changes in other comprehensive income	**23,584**	106,078
Exchange realignment	**(6,091)**	1,404
At end of year	**412,033**	378,177

The defined benefit plan is unfunded, and there are no expected contributions in the next 12 months.

The average duration of the defined benefit obligations as at 31 December 2019 was 7 to 20 years (31 December 2018: 10 years).

40. SHARE CAPITAL

Shares

	Notes	Numbers of shares	Nominal value of USD0.001 each USD	Nominal value of EUR0.001 each EUR	Nominal value of EUR0.0001 each EUR	Nominal value RMB
Authorised:						
At 31 December 2018, 1 January 2019 and 31 December 2019		**10,000,000,000**	**—**	**—**	**1,000,000**	**7,676,000**
Issued:						
At 1 January 2018		1,000,000,000	—	—	2	16
Issue of shares	(i)	2	—	—	—	—
Issue of restricted shares under the share ownership plan	(ii)	9,683,501	—	—	968	7,409
Cancellation of restricted shares	(ii)	(762,640)	—	—	(76)	(583)
Issue of shares from initial public offering	(iii)	214,200,000	—	—	21,420	167,294
At 31 December 2018 and 1 January 2019		**1,223,120,863**	**—**	**—**	**22,314**	**174,136**
Issue of shares from the exercise of the over-allotment option	(iv)	**10,332,600**	**—**	**—**	**1,033**	**8,076**
Issue of shares under the share option scheme and the share ownership plan	(v)	**1,591,920**	**—**	**—**	**159**	**1,231**
At 31 December 2019		**1,235,045,383**	**—**	**—**	**23,506**	**183,443**

40. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes:

(i) On 25 April 2018, 2 shares at a par value of EUR0.0001 each were allotted and issued to the Controlling Shareholder at a consideration of HKD19,319,788 (equivalent to RMB15,441,000) and EUR173,499,642 (equivalent to RMB1,330,985,000) for each share respectively. The consideration was settled by the receivables of the Controlling Shareholder from the Company. The total consideration exceeding the nominal amount of the issued share capital amounting to RMB1,346,426,000 was recorded in share premium of the Company.

(ii) On 18 June 2018, 9,038,501 shares were granted and allotted to eligible participants at a consideration of HKD8.05 per share under the share ownership plan. During 2018, the Company cancelled 762,640 restricted shares due to resignation of the employees. The shares granted constituted equity-settled share based payments and further details are set out in note 42.

On 4 July 2018, 645,000 shares were granted and allotted to eligible participants at a consideration of EUR2.00 per share under the share ownership plan which did not constitute equity-settled share-based payments.

(iii) On 14 December 2018, the Company completed an issue of 214,200,000 initial public offering shares. An amount of RMB167,000 was credited as issued and fully paid share capital, and the remaining amount of RMB2,829,983,000 was credited to share premium.

(iv) On 4 January 2019, the Company issued and allotted 10,332,600 shares at HKD15.60 per share due to the exercise of the over-allotment option. An amount of RMB8,076 was credited as issued and fully paid share capital and the remaining amount of RMB137,188,000 was credited to share premium.

(v) On 2 July 2019, the Company issued and allotted 1,504,710 shares pursuant to the 2018 free share ownership plan. An amount of RMB1,164 was credited as share capital, an amount of RMB21,938,000 was credited to share premium and an amount of RMB21,939,164 was transferred out from capital and other reserve.

According to the share option scheme of the Company, 87,210 shares were issued at the exercise price of HKD8.43 per share due to the exercise of the share option. An amount of RMB67 was credited as share capital, an amount of RMB990,000 was credited to share premium and an amount of RMB344,000 was transferred out from capital and other reserve.

The expenses recognised for the share-based payments amounted to RMB68,147,000 and were credited to capital and other reserve.

41. RESERVES

The Group's reserves and the movements therein during 2019 are presented in the consolidated statement of changes in the equity in the financial statements.

Merger reserve

The Company was incorporated in September 2016 and acquired relevant subsidiaries now comprising the Group in the year of 2017 from the Controlling Shareholder. The merger reserve of the Group mainly represents the reserve arose pursuant to the reorganisation of the Group completed in 2017. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

Capital and other reserve

(i) The Group has granted put options to certain non-controlling share-holders of CMH. The put options provide the holders the option to require the Group to purchase the shares held by the non-controlling shareholders at a determinable price. Details are set out in note 34(iii). As at 31 December 2019, although the put options remained unexercised, the Group derecognised the non-controlling interests as if they were acquired at that date, and recognised as financial liabilities, which are measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put options. The difference between the amounts of the non-controlling interests and the financial liabilities was recognised in capital and other reserve.

(ii) During the year of 2019, the Group acquired additional interests in its subsidiaries. The difference between the consideration and the proportionate shares of net assets acquired was recorded in capital.

(iii) The remaining amount of capital and other reserve mainly consists of fair value adjustments of hedging instruments in cash flow hedges, actuarial reserve relating to employee benefits in the defined benefit plans, and reserves relating to the share-based payments.

42. SHARE-BASED PAYMENTS

Share option scheme

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing the eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholder(s) as a whole. The eligible participants include directors, full time employees of the Company or any of its subsidiaries and any person who the board of directors considers to be able to enhance the operations or the value of the Group. The Option Scheme was approved by the shareholders of Fosun International Limited and became effective on 23 February 2018. Unless otherwise cancelled or amended, the Option Scheme will remain in force for 10 years from the date of adoption.

The maximum number of share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company as at the date of adoption. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at grant date. Any further grant of share options in excess of this limit is subject to the approval of the shareholders of Fosun International Limited in a general meeting. And the number of shares of which options may be granted under the Option Scheme shall be increased by the same number of options lapsed and/or cancelled.

The offer of a grant of share options may be accepted within 5 business days from the date of offer, upon payment of a nominal consideration of RMB1 (or any other amount as determined by the board of directors) in total by the grantee. The exercise period of the share options granted is determinable by the grantee, and commences after a vesting period of one to eight years and is subject to the listing of the shares on an internationally recognised stock exchange (the "Listing"), and shall not exceed a period of 10 years from the date of grant of the share options (the "Option Period").

The exercise price of share options is determinable by the directors, but may not be less than the new issue price (if any) either after the Company has resolved to seek the Listing or during the period commencing six months before the lodgement of an application with the relevant stock exchange for the Listing up to the date of the Listing. In such event, the Board shall have the discretion to adjust the exercise price of options granted during such period to not lower than the new issue price (if any).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Option Scheme during each reporting period:

	2019		2018	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000
At 1 January	—	44,556	—	—
Granted during the year	—	—	10.58	45,645
Exercised during the year	8.43	(87)	—	—
Forfeited during the year	13.59	(1,147)	8.43	(1,089)
At 31 December 2019		43,322		44,556

No share options were granted during the year ended 31 December 2019.

42. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as the end of the reporting period are as follows:

2019

Number of options '000	Exercise price HKD per share	Exercise period
2,598	**8.43**	**28 December 2018 to 28 December 2027**
4,000	**8.43**	**22 February 2019 to 22 February 2028**
3,248	**15.60**	**18 November 2019 to 18 November 2028**
2,578	**8.43**	**28 December 2019 to 28 December 2027**
4,000	**8.43**	**22 February 2020 to 22 February 2028**
3,248	**15.60**	**18 November 2020 to 18 November 2028**
2,578	**8.43**	**28 December 2020 to 28 December 2027**
4,000	**8.43**	**22 February 2021 to 22 February 2028**
3,247	**15.60**	**18 November 2021 to 18 November 2028**
2,578	**8.43**	**28 December 2021 to 28 December 2027**
4,000	**8.43**	**22 February 2022 to 22 February 2028**
3,247	**15.60**	**18 November 2022 to 18 November 2028**
1,000	**8.43**	**22 February 2023 to 22 February 2028**
1,000	**8.43**	**22 February 2024 to 22 February 2028**
1,000	**8.43**	**22 February 2025 to 22 February 2028**
1,000	**8.43**	**22 February 2026 to 22 February 2028**
43,322		

2018

Number of options '000	Exercise price HKD per share	Exercise period
2,685	8.43	28 December 2018 to 28 December 2027
4,000	8.43	22 February 2019 to 22 February 2028
3,454	15.60	18 November 2019 to 18 November 2028
2,685	8.43	28 December 2019 to 28 December 2027
4,000	8.43	22 February 2020 to 22 February 2028
3,454	15.60	18 November 2020 to 18 November 2028
2,685	8.43	28 December 2020 to 28 December 2027
4,000	8.43	22 February 2021 to 22 February 2028
3,454	15.60	18 November 2021 to 18 November 2028
2,685	8.43	28 December 2021 to 28 December 2027
4,000	8.43	22 February 2022 to 22 February 2028
3,454	15.60	18 November 2022 to 18 November 2028
1,000	8.43	22 February 2023 to 22 February 2028
1,000	8.43	22 February 2024 to 22 February 2028
1,000	8.43	22 February 2025 to 22 February 2028
1,000	8.43	22 February 2026 to 22 February 2028
44,556		

42. SHARE-BASED PAYMENTS *(Continued)*

Share option scheme *(Continued)*

The Group has not granted share options during the year ended 31 December 2019. The fair value of the share options granted during the year ended 31 December 2018 was RMB184,620,000 (RMB3.47 to RMB4.59 each), based on different vesting periods, of which the Group recognised a share option expense of RMB54,845,000 during the year ended 31 December 2019 (the year ended 31 December 2018: RMB56,707,000).

The fair value of equity-settled share options granted during the year ended 31 December 2018 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018
Dividend yield (%)	—
Expected volatility (%)	24.89%
Historical volatility (%)	24.89%
Risk-free interest rate (%)	2.78%
Weighted average share price (RMB per share)	11.15

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at 31 December 2019, the Company had 43,322,000 (31 December 2018: 44,556,000) share options outstanding under the Option Scheme, which represented approximately 3.5% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 43,322,000 (31 December 2018: 44,556,000) additional ordinary shares of the Company and additional share capital and share premium of HKD458,343,000 (31 December 2018: HKD474,667,000) (before issue expenses).

2017 share ownership plan

The Company operates the 2017 share ownership plan (the "Share Ownership Plan") for the purpose to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives in the form of share ownership in the Company to selected employees, directors, and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire shares of the Company. The Share Ownership Plan was approved by the board of directors of the Company and became effective on 29 December 2017. Unless otherwise cancelled or amended, the Share Ownership Plan will remain in force for 10 years from the date of adoption.

The maximum aggregate number of restricted shares that may be issued under the Share Ownership Plan shall not exceed 15,000,000 shares. The restricted shares can only be transferred freely after completion of a listing on any stock exchange. The Company has an obligation to repurchase the restricted shares when the participants exit the plan before completion of a listing on any stock exchange.

42. SHARE-BASED PAYMENTS *(Continued)*

2017 share ownership plan *(Continued)*

On 1 January 2018, pursuant to the Share Ownership Plan, 9,098,501 restricted shares of the Company were granted to eligible participants at a grant price of HKD8.05 per share, which represented approximately 0.9% of the Company's Shares in issue as at that date. The following restricted shares were outstanding under the Share Ownership Plan during the year:

	Weighted average subscription price HKD per share	Number of shares '000
At 1 January 2018	—	—
Granted during the year	8.05	9,039
Forfeited during the year	8.05	(763)
Unblocked during the year	8.05	(8,276)
At 31 December 2018		—

All of the participants have accepted the granted restricted shares by signing off the offer letters. All the restricted shares could be transferred freely after the listing of the Company in December 2018.

The fair value of restricted shares granted during the year ended 31 December 2018 was estimated as at the date of grant, using the market approach and income approach.

The aggregate fair value of the restricted shares granted during the year ended 31 December 2018 amounted to approximately RMB90,385,000, the total considerations received for the issuance of the restricted shares amounting up to HKD66,622,000 (equivalent to RMB56,169,000). The Group has recognised expense of nil for the year ended 31 December 2019 (2018:RMB27,070,000).

2018 free share ownership plan

The Company operates the 2018 free share ownership plan (the "Free Share Ownership Plan") for the purpose to provide the directors of the Company and other employees of the Group with the opportunity to receive proprietary interests in the shares of the Company and to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Free Share Ownership Plan was approved by the board of directors of the Company and became effective on 29 June 2018. Unless otherwise cancelled or amended, the Free Share Ownership Plan will remain in force for 10 years from the date of adoption.

The maximum aggregate number of shares that may be issued for free under the Free Share Ownership Plan shall not exceed 5% of the number of ordinary shares in issue on 29 June 2018.

On 4 July 2018, pursuant to the Free Share Ownership Plan, share units for 3,505,537 ordinary shares of the Company which represented approximately 0.3% of the Company's ordinary shares in issue as at that date were granted to eligible participants with vesting periods from one to four years. The following free shares were outstanding under the Free Share Ownership Plan during the year:

42. SHARE-BASED PAYMENTS *(Continued)*

2018 free share ownership plan *(Continued)*

	2019		2018	
	Weighted average subscription price HKD per share	Number of shares '000	Weighted average subscription price HKD per share	Number of shares '000
At 1 January	—	2,668	—	—
Granted during the year	—	—	—	3,506
Unlocked during the year	—	(667)	—	(838)
At 31 December		2,001		2,668

The unblock dates of the free shares as at the end of each reporting period are summarised as follows:

2019

Number of shares '000	Exercise price HKD per share	Unblock dates
667	—	29 June 2020
667	—	29 June 2021
667	—	29 June 2022
2,001		

2018

Number of shares '000	Exercise price HKD per share	Unblock dates
838	—	4 July 2018
667	—	29 June 2019
667	—	29 June 2020
667	—	29 June 2021
667	—	29 June 2022
3,506		

The aggregate fair value of the free shares granted during the year ended 31 December 2018 was amounted to approximately RMB55,162,000, all of which will be charged to profit or loss and the capital reserve as costs of share-based compensation from the date of grant to the date on which the unlocking conditions are fulfilled. The Group has recognised a expense of RMB13,302,000 for the year ended 31 December 2019 (For the year ended 31 December 2018: RMB20,447,000).

At 31 December 2019, the 2,000,827 ordinary shares granted in the form of share units have not been registered as share capital of the Company yet. The Company had 2,000,827 blocked free shares outstanding under the plan, which represented approximately 0.2% of the Company's shares in issue as at 31 December 2019.

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

CMH was established in France on 9 September 2014 by Fosun Luxemburg and other non-controlling shareholders for the acquisition of Club Med SAS Group. Non-controlling interests are set out below:

	2019 RMB'000	2018 RMB'000
Percentage of equity interests held by non-controlling interests:		
CMH*	—	—

The percentages of non-controlling interests as at 31 December 2019 and 2018 disclosed above exclude those held by non-controlling shareholders i.e., 9.91% interests as at 31 December 2019 (31 December 2018:13.55%) which were entitled to the put options granted by Fosun Luxemburg. For these non-controlling interests which are entitled to put rights, in accordance with IFRS 10, the Group recorded the non-controlling shareholders' portion of profit or loss in its consolidated statement of profit or loss. As at 31 December 2019 and 2018, although the put options remained unexercised, the Group derecognised the non-controlling interests as if they were acquired at that date, and recognised as financial liabilities, which are measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the put options (note 34(iii)). The difference between the amounts of the non-controlling interests and the financial liabilities was recognised in capital and other reserve (note 41(i)).

	2019 RMB'000	2018 RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
CMH	(59,281)	52,400
Dividends paid to non-controlling interests		
CMH	—	—
Accumulated balances of non-controlling interests:		
CMH	—	—

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate the summarised financial information of CMH. The amounts disclosed are before any inter-company eliminations:

	2019 RMB'000	2018 RMB'000
Revenue	**12,512,697**	12,017,013
Total expense	**(12,996,179)**	(12,312,406)
Loss for the year	**(483,482)**	(295,393)
Total comprehensive loss for the year	**(545,344)**	(513,918)
Current assets	**3,276,867**	3,107,649
Non-current assets	**19,296,579**	10,451,764
Current liabilities	**(6,985,555)**	(5,799,106)
Non-current liabilities	**(18,362,135)**	(9,942,388)
Net cash flows from operating activities	**2,493,519**	961,467
Net cash flows used in investing activities	**(693,283)**	(598,328)
Net cash flows used in financing activities	**(1,644,245)**	(395,389)
Net increase/(decrease) in cash and cash equivalents	**155,991**	(32,250)

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,730,386,000 and RMB1,730,386,000, respectively, in respect of lease arrangements for land, buildings, machinery, furniture, fixtures and other equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	Significant financing components included in contract liabilities RMB'000	Finance lease payables/ Lease liabilities RMB'000	Convertible bond RMB'000	Convertible redeemable preferred shares RMB'000	Due to related companies RMB'000	Interest payable included in accrued liabilities and other payables RMB'000
At 31 December 2018	5,426,491	147,660	80,019	330,369	163,136	1,975,348	4,660
Effect of adoption of IFRS 16	—	—	8,120,569	—	—	—	—
At 1 January 2019 (restated)	5,426,491	147,660	8,200,588	330,369	163,136	1,975,348	4,660
Changes from financing cash flows	1,119,366	—	(1,272,408)	(176,838)	(87,350)	(23,191)	—
Changes from operating cash flows	—	(191,234)	—	—	—	12,441	—
Contribution from the Controlling Shareholder	—	—	—	—	—	(77,065)	—
New leases	—	—	1,730,386	—	—	—	—
Interest paid	—	—	—	—	—	—	(302,232)
Exchange realignment	11,082	—	13,079	(3,576)	(1,590)	—	7,921
Interest expense	—	31,772	432,998	22,780	11,127	360	301,849
Interest capitalised	—	36,170	—	—	—	—	383
At 31 December 2019	6,556,939	24,368	9,104,643	172,735	85,323	1,887,893	12,581

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Changes in liabilities arising from financing activities *(Continued)*

	Interest-bearing bank borrowings RMB'000	Significant financing components included in contract liabilities RMB'000	Finance lease payable RMB'000	Convertible bond RMB'000	Convertible redeemable preferred shares RMB'000	Due to related companies RMB'000	Interest payable included in accrued liabilities and other payables RMB'000
At 31 December 2017 and 1 January 2018	5,611,553	138,184	86,301	1,188,672	588,387	3,348,278	4,593
Changes from financing cash flows	(199,122)	—	—	(73,001)	(36,074)	(1,299,829)	—
Changes from operating cash flows	—	(164,917)	—	—	—	35,614	—
Interest paid	—	—	—	—	—	—	(339,820)
Exchange realignment	14,060	—	(9,930)	(20,857)	(11,977)	11,135	—
Interest expense	—	77,153	3,648	45,545	23,418	360	286,781
Interest capitalised	—	97,240	—	—	—	—	53,106
Redemption without cash paid	—	—	—	(809,990)	(400,618)	1,226,216	—
Transfer to share capital and share premium	—	—	—	—	—	(1,346,426)	—
At 31 December 2018	5,426,491	147,660	80,019	330,369	163,136	1,975,348	4,660

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**165,766**
Within investing activities	**13,474**
Within financing activities	**1,272,408**
	1,451,648

45. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided	**1,714,840**	802,201

(b) Operating lease commitments as at 31 December 2018

The Group occupies offices and sales agencies under non-cancellable leases. Some office equipment and village telephone and video equipment are also leased.

Under the Group's asset financing policy, certain villages as well as other assets are also leased under non-cancellable operating leases. It presents the minimum future lease payments due under these non-cancellable operating leases. The amounts have been translated at the exchange rate prevailing at 31 December 2018.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

AS LESSEE

	2018 RMB'000
Within one year	1,268,939
In the second to fifth years, inclusive	4,802,167
Over five years	7,782,008
	13,853,114

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB36,874,000 due within one year, RMB676,619,000 due in the second to fifth years, inclusive and RMB2,178,352,000 due after five years.

46. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

	Notes	2019 RMB'000	2018 RMB'000
Guarantees given related to			
— qualified buyers' mortgage loans	(i)	**418,395**	396,300
— interest-bearing loans of a related company		**—**	21,935
— others		**2,009**	7,847
		420,404	426,082

Note:

(i) The Group provided guarantees in favour of their customers in respect of mortgage loans provided by banks to these customers for their purchases of the Group's developed properties where the underlying real estate certificates can only be provided to the banks in a time-delayed manner due to administrative procedures in the People's Republic of China. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as security to the banks for the mortgage loans granted by the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Service income			
Hoshino Resort Tomamu Corporation (Notes 2, 4 & 10)	Resort services provided to the related company	113,335	84,205
Kuyi International Travel Agency (Shanghai) Co., Ltd (Notes 2 & 4)	Consulting services provided to the related company	1,827	9,852
Shanghai Guangxin Technology Development Co., Ltd (Notes 1 & 4)	Tourism services provided to the related company	758	753
Shanghai Fosun High Technology Group Co., Ltd. (Notes 1 & 4)	Tourism services provided to the related company	331	578
Pramerica Fosun Life Insurance Co., Ltd (Notes 2 & 4)	Travel agency services provided to the related company	—	523
Other related parties (Notes 1 & 4)	Other related services provided to the related company	465	2,536
Total service income		116,716	98,447
Purchase of goods			
Jiangsu NISCO'S "Ready Rolled Steel" Trading Co., Ltd. (Notes 2,5 & 10)	Purchase of goods	27,243	—
Zhejiang Fosun Yi Cosmetic Co., Ltd. (Notes 1 & 5)	Purchase of goods	1,241	849
Shanghai Yunji Information and Technology Co., Ltd. (Notes 1, 5 & 10)	Purchase of goods	18	144
Fosun Foundation (Shanghai) (Notes 1, 5 & 10)	Purchase of goods	—	32
Total purchase of goods		28,502	1,025
Interest income			
Shanghai Fosun High Technology Group Finance Co., Ltd. (Notes 1 & 9)	Interest income	—	1,087
Interest expense			
Fidelidade (Notes 1, 7 & 10)	Interest expense	—	30,190
Kuyi International Travel Agency (Shanghai) Co., Ltd. (Notes 2 & 7)	Interest expense	360	360
Total interest expense		360	30,550

47. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Other expenses			
Shanghai Golte Property Management Co., Ltd. (Notes 1, 6 & 10)	Property management services provided by the related company	6,800	3,943
Carthago (Notes 1 & 6)	Rental services provided by the related company	3,095	—
Fosun International Limited (Note 6 & 10)	Rental services provided by the related company	632	236
Shanghai Fosun Startup Investment Co., Ltd. (Notes 1, 6 & 10)	Rental services provided by the related company	570	538
Shanghai Xinshihua Investment Management Co., Ltd. Beijing Branch (Notes 1, 6 & 10)	Rental services provided by the related company	310	868
Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Ltd. (Notes 2, 6 & 10)	Rental services provided by the related company	—	7,709
Fidelidade (Notes 1, 6 & 10)	Insurance services provided by the related company	—	908
Shanghai Xingfu Management Consulting Co., Ltd. (Notes 1, 6, & 10)	Technical services provided by the related company	—	230
Shanghai Ziku Information Technology Co., Ltd. (Notes 1, 6 & 10)	Technical services provided by the related company	—	186
Shanghai Zhuqun Information & Technology Service Co., Ltd. (Notes 1, 6 & 10)	Talent services provided by the related company	—	110
Other related parties (Notes 1 & 6)	Other services provided by the related company	343	244
Total other expenses		11,750	14,972
Loans to related companies			
Kuyi International Travel Agency (Shanghai) Co., Ltd. (Notes 2 & 7)	Loans provided to the related company	—	20,400
Guarantees of bank loans			
Holiday Hotel AG (Notes 3 & 8)	Bank loans guaranteed to the related company	19,203	21,935

47. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: (Continued)

Notes:

(1) These are entities under the common control of the ultimate controlling shareholder, Mr. Guo Guangchang.

(2) These are joint ventures of the Group or joint ventures of Fosun International Limited.

(3) These are associates of the Group or Fosun International Limited.

(4) The directors consider that the revenue from services provided to the related parties were determined based on prices available to third party customers.

(5) The directors consider that the purchases were undertaken on commercial terms similar to those offered by unrelated suppliers in the ordinary course of business of the relevant companies.

(6) The directors consider that the service charge for the services provided by the related parties was determined based on prices available to third party customers.

(7) The directors consider that the applicable interest rates were determined in accordance with the prevailing market borrowing rates.

(8) The bank loans were guaranteed by the related companies free of charge.

(9) Shanghai Fosun High Technology Group Finance Co., Ltd., a subsidiary of Fosun International Limited, provides deposit services to subsidiaries of the Group. The applicable interest rates were determined in accordance with the prevailing market rates and the transactions were carried out in accordance with normal commercial terms.

(10) The related party transactions in respect of service income and other expenses above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(b) Compensation of key management personnel of the Group:

	2019 RMB'000	2018 RMB'000
Short term employee benefits	32,907	34,982
Post-employment benefits	3,812	2,676
Equity-settled share-based payment expense	35,605	54,494
Total compensation paid to key management personnel	72,324	92,152

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows:

2019

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss					
	Other financial assets* RMB'000	Hedging instruments designated in fair value hedges RMB'000	Held for trading RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	451,910	—	—	—	—	451,910
Derivative financial instruments	—	13,412	3,017	—	14,613	31,042
Restricted cash	—	—	—	9,690	—	9,690
Cash and cash equivalents	—	—	—	2,128,677	—	2,128,677
Trade receivables	—	—	—	653,035	—	653,035
Financial assets included in prepayments, other receivables and other assets	—	—	—	522,952	—	522,952
Due from related companies	—	—	—	1,911,718	—	1,911,718
	451,910	13,412	3,017	5,226,072	14,613	5,709,024

* Other financial assets measured at fair value through profit or loss include investments whose contractual cash flows are not solely payments of principal and interest or not designated as investments at fair value through other comprehensive income by the Group.

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss					
	Designated as such upon initial recognition RMB'000	Hedging instruments designated in fair value hedges RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Derivative financial instruments	—	1,439	16,944	—	81,323	99,706
Interest-bearing bank borrowings	—	—	—	6,556,939	—	6,556,939
Convertible redeemable preferred shares	—	—	—	85,323	—	85,323
Convertible bonds	—	—	—	172,735	—	172,735
Trade payables	—	—	—	1,708,988	—	1,708,988
Financial liabilities included in accrued liabilities and other payables	133,846	—	—	1,581,748	—	1,715,594
Due to related companies	—	—	—	1,887,893	—	1,887,893
Lease liabilities	—	—	—	9,104,643	—	9,104,643
	133,846	1,439	16,944	21,098,269	81,323	21,331,821

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of the Group's financial instruments as at the end of each reporting period are as follows: *(Continued)*

2018

FINANCIAL ASSETS

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income			
	Other financial assets* RMB'000	Hedging instruments designated in fair value hedges RMB'000	Held for trading RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	363,845	—	—	—	—	—	363,845
Equity investments designated at fair value through other comprehensive income	—	—	—	309,438	—	—	309,438
Derivative financial instruments	—	4,551	3,468	—	—	46,645	54,664
Restricted cash	—	—	—	—	287,791	—	287,791
Cash and cash equivalents	—	—	—	—	1,874,998	—	1,874,998
Trade receivables	—	—	—	—	772,353	—	772,353
Financial assets included in prepayments, other receivable and other assets	—	—	—	—	459,951	—	459,951
Due from related companies	—	—	—	—	1,953,749	—	1,953,749
	363,845	4,551	3,468	309,438	5,348,842	46,645	6,076,789

* Other financial assets measured at fair value through profit or loss include investments whose contractual cash flows are not solely payments of principal and interest or not designated as investments at fair value through other comprehensive income by the Group.

FINANCIAL LIABILITIES

	Financial liabilities at fair value through profit or loss					
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Derivative financial instruments	—	8,766	10,051	—	30,699	49,516
Interest-bearing bank borrowings	—	—	—	5,426,491	—	5,426,491
Convertible redeemable preferred shares	—	—	—	163,136	—	163,136
Convertible bonds	—	—	—	330,369	—	330,369
Trade payables	—	—	—	1,870,767	—	1,870,767
Financial liabilities included in accrued liabilities and other payables	191,962	—	—	1,124,131	—	1,316,093
Due to related companies	—	—	—	1,975,348	—	1,975,348
Financial lease payables	—	—	—	80,019	—	80,019
	191,962	8,766	10,051	10,970,261	30,699	11,211,739

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	As at 31 December 2019		As at 31 December 2018	
	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000
Financial assets				
Financial assets at fair value through profit or loss	451,910	451,910	363,845	363,845
Equity investments designated at fair value through other comprehensive income	—	—	309,438	309,438
Due from related companies (non-current portion)	—	—	20,400	19,056
Financial assets included in prepayments, other receivables and other assets (non-current portion)	290,955	343,143	281,341	271,297
Derivative financial instruments	31,042	31,042	54,664	54,664
	773,907	826,095	1,029,688	1,018,300

	As at 31 December 2019		As at 31 December 2018	
	Carrying amounts RMB'000	Fair values RMB'000	Carrying amounts RMB'000	Fair values RMB'000
Financial liabilities				
Interest-bearing bank borrowings (non-current portion)	4,518,769	4,429,467	4,674,114	4,663,942
Convertible redeemable preferred shares	85,323	95,221	163,136	171,031
Convertible bonds	172,735	192,901	330,369	346,358
Put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables	133,846	133,846	191,962	191,962
Finance lease payables	—	—	80,019	80,019
Due to related companies (non-current portion)	1,821,347	1,821,347	—	—
Derivative financial instruments	99,706	99,706	49,516	49,516
	6,831,726	6,772,488	5,489,116	5,502,828

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, the current portion of financial assets included in prepayments, other receivables and other assets, amounts due from related companies, trade payables, financial liabilities included in accrued liabilities and other payables other than put options granted to non-controlling shareholders of a subsidiary, the current portion of interest-bearing bank borrowings, finance lease payables and the amount due to related companies are approximate to their and carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings and finance lease payables, convertible redeemable preferred shares and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank borrowings as at 2019 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include forward currency contracts, foreign currency swaps and swaptions, interest rate swaps and swaptions. As at 31 December 2019, the fair values of the forward currency contracts, foreign currency swaps and swaptions, interest rate swaps and swaptions were measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs include the credit quality of counterparties and interest rate curves. The carrying amounts of the forward currency contracts, foreign currency swaps and swaptions, interest rate swaps and swaptions are the same as their fair values.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments and unlisted wealth management products issued by an asset management company that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach, income approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as discount rate and long term growth rate. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

Significant unobservable valuation input for the put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables of RMB133,846,000 (31 December 2018: RMB191,962,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of CMH for 2019. The increase in EBITDA of CMH will lead to an increase in the liability of put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables.

Below is a summary of significant unobservable inputs to the valuation of equity investments at fair value in Level 3 together with a quantitative sensitivity analysis as at 31 December 2018. The aforementioned equity investments were disposed during the year ended 31 December 2019.

	2018
Pre-tax discount rate	14.9%
Long-term growth rate	1%

	2018 RMB'000
Pre-tax discount rate increases by 1%	(11,771)
Pre-tax discount rate decreases by 1%	15,695
Long-term growth rate increases by 0.5%	4,316
Long-term growth rate decreases by 0.5%	(3,139)

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

ASSETS MEASURED AT FAIR VALUE:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	423,432	28,478	451,910
Derivative financial instruments	—	31,042	—	31,042
	—	454,474	28,478	482,952

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	341,692	22,153	363,845
Equity investments designated at fair value through other comprehensive income	268,946	—	40,492	309,438
Derivative financial instruments	—	54,664	—	54,664
	268,946	396,356	62,645	727,947

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets (non-current portion)	—	343,143	—	343,143

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets (non-current portion)	—	271,297	—	271,297
Due from related companies (non-current portion)	—	19,056	—	19,056
	—	290,353	—	290,353

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

LIABILITIES MEASURED AT FAIR VALUE:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables	—	—	133,846	133,846
Derivative financial instruments	—	99,706	—	99,706
	—	99,706	133,846	233,552

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Put options granted to non-controlling shareholders of a subsidiary included in accrued liabilities and other payables	—	—	191,962	191,962
Derivative financial instruments	—	49,516	—	49,516
	—	49,516	191,962	241,478

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings (non-current portion)	—	4,429,467	—	4,429,467
Convertible redeemable preferred shares	—	95,221	—	95,221
Convertible bonds	—	192,901	—	192,901
Due to related companies (non-current portion)	—	1,821,347	—	1,821,347
	—	6,538,936	—	6,538,936

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings (non-current portion)	—	4,663,942	—	4,663,942
Convertible redeemable preferred shares	—	171,031	—	171,031
Convertible bonds	—	346,358	—	346,358
Finance lease payables	—	80,019	—	80,019
	—	5,261,350	—	5,261,350

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

ASSETS MEASURED AT FAIR VALUE:

The movements in fair value measurements in Level 3 during each reporting period are as follows:

	2019	2018
	RMB'000	RMB'000
At beginning of year	62,645	208,563
Addition	12,139	687
Disposal	(5,642)	(2,041)
Change in fair value	(39,848)	(145,033)
Exchange (losses)/gains	(816)	469
At end of year	28,478	62,645

LIABILITIES MEASURED AT FAIR VALUE:

	2019	2018
	RMB'000	RMB'000
At beginning of year	191,962	27,003
Addition	—	164,959
Decrease	(58,116)	—
At end of year	133,846	191,962

During each year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, convertible redeemable preferred shares, convertible bonds, lease liabilities, finance lease payables, amounts due from/to related companies, financial assets included in prepayments, other receivables and other assets, financial assets measured at fair value, cash and cash equivalents, and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and swaptions, foreign currency forward contracts and foreign currency swaps and swaptions. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group also carried out hedging activities by entering into interest rate swaps on certain variable rate debts, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 31 December 2019, after taking into account the effect of the interest rate swaps, approximately 47% (31 December 2018: 34%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate after hedging, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

AFTER HEDGING

	Increase/ (decrease) in basis points	Increase/ (decrease) profit before tax
		RMB'000
For the year ended 31 December 2019	**25**	**(6,663)**
	(25)	**6,663**
For the year ended 31 December 2018	25	(8,114)
	(25)	8,114

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The major subsidiaries exposed to the above currency risks use EUR or CNY as their functional currencies. As more detailed disclosed in note 29, the Group also uses foreign currency forward contracts and foreign currency swaps to hedge the currency risk.

In addition, the Group has currency exposures from its borrowings. The Group used foreign currency swap contracts to reduce the exposure to EUR or USD arising from the borrowings.

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the exchange rates of major currencies, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	RMB'000
As at 31 December 2019		
If EUR weakens against USD	**5**	**(16,280)**
If EUR strengthens against USD	**(5)**	**16,280**
If EUR weakens against HKD	**5**	**5,446**
If EUR strengthens against HKD	**(5)**	**(5,446)**
If RMB weakens against USD	**5**	**(6,837)**
If RMB strengthens against USD	**(5)**	**6,837**
As at 31 December 2018		
If EUR weakens against USD	5	(9,428)
If EUR strengthens against USD	(5)	9,428
If EUR weakens against RMB	5	94,941
If EUR strengthens against RMB	(5)	(94,941)
If EUR weakens against MAD*	5	(15,485)
If EUR strengthens against MAD*	(5)	15,485
If RMB weakens against USD	5	(6,863)
If RMB strengthens against USD	(5)	6,863

* Moroccan Dirham

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

MAXIMUM EXPOSURE AND YEAR-END STAGING

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are net carrying amounts for financial assets.

31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Contract assets and other assets	—	—	—	4,284	4,284
Trade receivables*	—	—	—	653,035	653,035
Financial assets included in prepayments, other receivables and other assets					
— Normal**	522,952	—	—	—	522,952
Restricted cash					
— Not yet past due	9,690	—	—	—	9,690
Cash and cash equivalents					
— Not yet past due	2,128,677	—	—	—	2,128,677
Due from related companies					
— Not yet past due	1,911,718	—	—	—	1,911,718
	4,573,037	—	—	657,319	5,230,356

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Credit risk *(Continued)*

MAXIMUM EXPOSURE AND YEAR-END STAGING *(Continued)*

31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets and other assets	—	—	—	59,313	59,313
Trade receivables*	—	—	—	772,353	772,353
Financial assets included in prepayments, other receivables and other assets					
— Normal**	459,951	—	—	—	459,951
Restricted cash					
— Not yet past due	287,791	—	—	—	287,791
Cash and cash equivalents					
— Not yet past due	1,874,998	—	—	—	1,874,998
Due from related companies					
— Not yet past due	1,953,749	—	—	—	1,953,749
	4,576,489	—	—	831,666	5,408,155

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 27 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings, amounts due to related companies, convertible bonds, convertible redeemable preferred shares and lease liabilities (2018: finance lease payables). As at 31 December 2019, 31% of the Group's debts would mature in less than one year based on the carrying value of borrowings reflected in the financial statements (31 December 2018: 35%).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2019

	On demand RMB'000	**Less than 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**39,929**	**1,998,241**	**4,268,945**	**896,174**	**7,203,289**
Convertible bonds	—	—	—	**259,368**	**259,368**
Convertible redeemable preferred shares	—	—	—	**128,167**	**128,167**
Trade payables	—	**1,708,988**	—	—	**1,708,988**
Financial liabilities included in accrued liabilities and other payables	**1,581,748**	—	—	—	**1,581,748**
Due to related companies	**66,546**	—	**1,898,412**	—	**1,964,958**
Lease liabilities	—	**1,326,848**	**4,435,641**	**6,344,585**	**12,107,074**
Derivative financial instruments	—	**99,706**	—	—	**99,706**
	1,688,223	**5,133,783**	**10,602,998**	**7,628,294**	**25,053,298**

31 December 2018

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	210,975	541,402	3,982,502	1,269,908	6,004,787
Convertible bonds	—	—	—	536,790	536,790
Convertible redeemable preferred shares	—	—	—	265,257	265,257
Trade payables	—	1,870,767	—	—	1,870,767
Financial liabilities included in accrued liabilities and other payables	1,316,093	—	—	—	1,316,093
Due to related companies	1,975,348	—	—	—	1,975,348
Finance lease payables	—	6,647	35,980	37,392	80,019
Derivative financial instruments	—	49,516	—	—	49,516
	3,502,416	2,468,332	4,018,482	2,109,347	12,098,577

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the total assets. Net debt includes interest-bearing bank borrowings, lease liabilities/finance lease payables, convertible bonds and convertible redeemable preferred shares, less cash and cash equivalents. The gearing ratio as at the end of each reporting period was as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing bank borrowings	**6,556,939**	5,426,491	5,426,491
Lease liabilities	**9,104,643**	8,200,588	—
Finance lease payables	**—**	—	80,019
Convertible bonds	**172,735**	330,369	330,369
Convertible redeemable preferred shares	**85,323**	163,136	163,136
Less: Cash and cash equivalents	**(2,128,677)**	(1,874,998)	(1,874,998)
Net debt	**13,790,963**	12,245,586	4,125,017
Total Assets	**36,802,903**	37,439,440	29,532,341
Gearing ratio	**38%**	33%	14%

Note:

The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 14% to 33% on 1 January 2019 when compared with the position as at 31 December 2018.

51. EVENTS AFTER THE REPORTING PERIOD

In January 2020, there was an outbreak of the coronavirus disease ("COVID-19") in Chinese Mainland and the disease has spread across the world till March 2020. The Group has implemented various measures to mitigate the impacts of COVID-19 on the business and a number of measures to ensure the health and safety of the Group's customers and employees.

The Directors expect that COVID-19 will have a short-term impact on the Group's business operation. The Group will keep continuous attention on the situation of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress.

52. COMPARATIVE AMOUNTS

As further explained in note 2.2(a) to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Prepayments, other receivables and other assets	—	6,869
Investments in subsidiaries	17,966	17,966
Financial assets at fair value through profit or loss	—	341,692
Total non-current assets	17,966	366,527
CURRENT ASSETS		
Prepayments, other receivables and other assets	12,539	18,446
Due from related companies	12,241,622	10,155,001
Financial assets at fair value through profit or loss	343,669	—
Cash and cash equivalents	156,745	741,755
Total current assets	12,754,575	10,915,202
CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,499,250	90,319
Accrued liabilities and other payables	8,397	63,189
Derivative financial liabilities	13,858	—
Due to related companies	4,508	422
Total current liabilities	1,526,013	153,930
NET CURRENT ASSETS	11,228,562	10,761,272
TOTAL ASSETS LESS CURRENT LIABILITIES	11,246,528	11,127,799
Net assets	11,246,528	11,127,799
EQUITY		
Share capital	183	174
Reserves	11,246,345	11,127,625
Total equity	11,246,528	11,127,799

Qian Jiannong
Director

Wang Wenping
Director

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	**Capital and Other reserve** RMB'000	**Exchange fluctuation reserve** RMB'000	**Retained profits/ (accumulated losses)** RMB'000	**Total** RMB'000
Balance at 1 January 2018	6,816,506	—	68,243	(51)	6,884,698
Issue of shares	1,346,426	—	—	—	1,346,426
Loss for the year	—	—	—	(188,963)	(188,963)
Exchange differences on translation of foreign operations	—	—	85,226	—	85,226
Net issue of restricted shares under the share ownership plan	93,101	(27,070)	—	—	66,031
Equity-settled share-based payment	—	104,224	—	—	104,224
Issue of shares from initial public offering	2,829,983	—	—	—	2,829,983
At 31 December 2018 and 1 January 2019	**11,086,016**	**77,154**	**153,469**	**(189,014)**	**11,127,625**
Issue of shares	**137,188**	—	—	—	**137,188**
Profit for the year	—	—	—	**34,588**	**34,588**
Exchange differences on translation of foreign operations	—	—	**(43,926)**	—	**(43,926)**
Equity-settled share-based payments	**22,928**	**45,864**	—	—	**68,792**
2019 interim dividend	**(77,922)**	—	—	—	**(77,922)**
At 31 December 2019	**11,168,210**	**123,018**	**109,543**	**(154,426)**	**11,246,345**

The other reserve represents the fair value of share-based payment instruments granted which are yet to be exercised.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2020.

EXECUTIVE DIRECTORS

Qian Jiannong *(Chairman)*
Henri Giscard d'Estaing
Wang Wenping

NON-EXECUTIVE DIRECTOR

Wang Can(1)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Allan Zeman
Guo Yongqing
Katherine Rong Xin

AUDIT COMMITTEE

Guo Yongqing *(Chairman)*
Wang Can(1)
Katherine Rong Xin

REMUNERATION COMMITTEE

Katherine Rong Xin *(Chairman)*
Guo Yongqing
Wang Wenping

NOMINATION COMMITTEE

Qian Jiannong *(Chairman)*
Allan Zeman
Katherine Rong Xin

STRATEGY COMMITTEE

Qian Jiannong *(Chairman)*
Henri Giscard d'Estaing
Allan Zeman

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Guo Yongqing *(Chairman)*
Katherine Rong Xin
Wang Wenping

COMPANY SECRETARY

Leung Ching Ching

AUTHORISED REPRESENTATIVES

Wang Wenping
Leung Ching Ching

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Cayman Islands

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Standard Chartered PLC
The Hongkong and Shanghai Banking Corporation Limited
Le Crédit Lyonnais
China Development Bank
Société Générale

Note:

(1) Mr. Wang Can resigned as non-executive Director of the Company with effect from 21 January 2020.

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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HONG KONG SHARE REGISTRAR

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STOCK CODE

01992

WEBSITE

http://www.fosunholiday.com

ABBREVIATIONS

Aquarium	the Lost Chambers Aquarium in Atlantis Sanya
Articles or Articles of Association	the amended and restated articles of association of our Company conditionally adopted on 19 November 2018 which became effective upon the Listing Date, as amended from time to time
associate(s)	has the meaning ascribed thereto under the Listing Rules
Atlantis Sanya	our tourism destination on the Haitang Bay National Coast of Sanya, Hainan province, PRC
Audit Committee	the audit committee of the Board
Average Daily Bed Rate	the business volume divided by the total number of beds sold
Board or Board of Directors	our board of Directors
CAGR	Compound Annual Growth Rate, the rate of growth during a specific period of time
Capacity of Resorts	the total number of beds available for sale over a period or year, i.e., the number of beds, multiplied by the number of days on which resorts are open
Casa Cook	an award-winning boutique lifestyle hotel brand under Thomas Cook, with a focus on design, high-quality food and wellbeing
CG Code	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
China, PRC or Chinese Mainland	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
close associate(s)	has the meaning ascribed thereto under the Listing Rules
Club Med	Club Med SAS (formerly known as Club Méditerranée SA), a simplified joint-stock company (société par actions simplifiée) incorporated in France on 12 November 1957 and a non-wholly owned subsidiary of our Company
Club Med Holding	Club Med Holding (formerly known as Holding Gaillon II), a simplified joint-stock company (société par actions simplifiée) incorporated in France on 9 September 2014 and a non-wholly owned subsidiary of our Company
Club Med Invest	Club Med Invest (formerly known as Gaillon Invest II), a simplified joint-stock company (société par actions simplifiée) incorporated in France on 9 September 2014 and a non-wholly owned subsidiary of our Company
Company or our Company	Fosun Tourism Group (formerly known as Fosun Tourism and Culture Group (Cayman) Company Limited), an exempted company with limited liability incorporated in the Cayman Islands on 30 September 2016
connected person(s)	has the meaning ascribed thereto under the Listing Rules
connected transaction(s)	has the meaning ascribed thereto under the Listing Rules

Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Fosun International, FHL, FIHL, and Mr. Guo Guangchang
Cook's Club	a beach hotel brand under Thomas Cook, designed for a new generation of travellers who want fun, lively holidays in hotels that have modern and stylish design
Director(s)	the director(s) of the Company
EBITDA	earnings before interest, taxes, depreciation and amortization
EMEA	Europe, Middle East, and Africa, which, for our purposes, also includes Turkey
EUR or Euro	the lawful currency of the European Union
Fidelidade	Fidelidade-Companhia de Seguros, S.A., a company incorporated in Portugal and a non-wholly owned subsidiary of Fosun International
FHL	Fosun Holdings Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by FIHL, and one of our Controlling Shareholders
FIHL	Fosun International Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability, and one of our Controlling Shareholders
FOLIDAY	our global ecosystem consisting of our commercially-interconnected business that offers a wide spectrum of tourism- and leisure-related services
Folli Follie	Folli Follie Commercial Manufacturing and Technical Société Anonyme, a company incorporated in Greece, the shares of which are listed on the Athens Stock Exchange (stock code: FFGRP) in which Fosun International Group holds 16.37% of equity interest as of the end of the Reporting Period
Foryou Club	our membership system in China that manages and operates services and activities for members and customers under the FOLIDAY ecosystem
Fosun International	Fosun International Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (stock code: 0656), and one of our Controlling Shareholders
Fosun International Group	Fosun International and its subsidiaries from time to time
Frost & Sullivan Report	an independent market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
GFA	gross floor area
Great Members	members of Club Med's Great Member loyalty program
Group, our Group, we, or us	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

Hainan Atlantis	Hainan Atlantis Business and Tourism Development Co. Ltd, a limited liability company established in the PRC on 15 May 2013 and a wholly-owned subsidiary of our Company
Happy Digital	Club Med's digitalization initiatives, through which we use digital solutions to improve our guests' and employees' experience while making the technology user-friendly and seamless
HK$ or HKD	the lawful currency of Hong Kong
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hoshino Tomamu	Hoshino Resort Tomamu Corporation, a company incorporated in Japan, a wholly-owned subsidiary of Yuyuan and a non-wholly owned subsidiary of Fosun International, and also a connected person of our Company
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Independent third party(ies)	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
IPO Proceeds	the total net proceeds from the Company's global offering on 14 December 2018, after deducting part of underwriting commissions and listing expenses
Kerzner	Kerzner International Limited, a company incorporated in The Commonwealth of the Bahamas, and its subsidiaries
Listing	the listing of the Shares on the Main Board
Listing Date	14 December 2018, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
Macau	the Macau Special Administrative Region of the PRC
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
Mattel	Mattel Ventures International II Limited, a company incorporated in Hong Kong and an independent third party
Miniversity	the brand for learning and playing club for children
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
Nomination Committee	the nomination committee of the Board

Occupancy Rate by Bed	the ratio expressed as a percentage between the total number of beds sold and the total number of beds available for sale over a period or year
Occupancy Rate by Room	the total number of rooms sold divided by the total number of rooms available for sale
Pre-IPO Free Share Award Plan	the pre-IPO free share award plan adopted by the Board on 29 June 2018
Pre-IPO Share Option Scheme	the pre-IPO share option scheme adopted by our Company on 29 December 2017 and approved by the shareholders of Fosun International on 23 February 2018
Pre-IPO Share Ownership Plan	the pre-IPO share ownership plan adopted by the Board on 29 December 2017
Prospectus	the prospectus of the Company dated 30 November 2018
Remaining Fosun International Group	Fosun International Group after completion of the Global Offering and the spin-off of the Group
Remuneration Committee	the remuneration committee of the Board
Reporting Period	1 January 2019 to 31 December 2019
Resort Revenue	the aggregate income of all resorts, including sales of all-inclusive packages and revenue generated onsite out of the all-inclusive packages
Revenue per Bed	the Resort Revenue divided by the Capacity of Resorts
RMB	the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
Share(s)	ordinary share(s) in the share capital of our Company
Shareholder(s)	holder(s) of the Shares
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Board
subsidiaries	has the meaning ascribed thereto under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
substantial shareholder	has the meaning ascribed thereto under the Listing Rules
Tang Residence	the saleable residential vacation units in Atlantis Sanya
Thomas Cook	Thomas Cook Group plc, a company incorporated in England and Wales, the shares of which are listed on the London Stock Exchange (stock code: TCG), the company applied for liquidation on 23 September 2019
Trident	the measurement unit used by Club Med to indicate the level of each Club Med resort, which is similar to "star" used for traditional hotel ratings
USD or U.S. dollar	the lawful currency of the United States of America
Waterpark	the Aquaventure Waterpark in Atlantis Sanya

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